THE FREEMAN

IDEAS ON LIBERTY

Chemicals and Witches

Risks in the Modern World

EcoKids: New Automatons on the Block

Owning the Unownable

MARCH 1995

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PERSPECTIVE

Risk, Rights, and Regulation

In her book about medieval Europe, *A Distant Mirror,* Barbara Tuchman describes a world so dangerous that one or two children died as infants for every three that were born. Death was so likely, she says, that parents invested little emotion in their children during the first five or six years; children were "left to survive or die without great concern."

In contrast, Americans live in a world that is extremely safe. The vast majority survive to a healthy adulthood; a child born today can expect to live 75 years. Today, death is tragic in part because it is so rare.

Yet the actions of Americans imply the opposite. Americans have allowed their government to intervene with the goal of protecting them against risks. The government now bans many chemicals, controls emissions of small quantities of chemicals from industrial plants, clamps down on pesticide residues on vegetables, and slows down the introduction of potentially valuable new drugs—all in the name of greater safety.

Most of the risks being addressed are small. These policies may actually be increasing our risk by reducing our self-reliance and frittering away resources that we need if we are to deal with our problems individually. Reliance on the government in this area erodes freedom just as it does in every other area.

Fortunately, a number of people who share a concern for liberty have been trying to figure out how to reverse direction and stop turning every fear or danger over to the government. A number of those thinkers are represented in this issue of *The Freeman.* The purpose of this issue is to help us understand why we have turned over so much risk coping to the government, what harm it has caused, and what, over the long term, we can do about it.

Technically, this issue is about "risk policy" and "risk assessment," as well as more generally about environmental problems. But I hope to show that "risk" is more than

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a technical matter, and I hope that these articles will point the way toward steps we can take to deal with risks while enhancing freedom.

This issue also includes an essay about the life and work of the great economist Adam Smith. While this short biography does not deal overtly with risk to human life or to the environment, as most of the other articles do, Adam Smith was not silent on the subject. He well understood one of the recurring themes of this issue: When hazards occur, governments usually make them worse, not better.

Consider the following quotation (found on p. 493 of the Modern Library edition of *The Wealth of Nations*): "Whoever examines, with attention, the history of the dearths and famines which have afflicted any part of Europe . . . will find, I believe, that a dearth never has arisen from any combination among the inland dealers in corn, nor from any other cause but a real scarcity, occasioned sometimes, perhaps, and in some particular places, by the waste of war, but in by far the greatest number of cases, by the fault of the seasons; and that a famine has never arisen from any other cause but the violence of government, attempting by improper means, to remedy the inconveniencies of a dearth."

—JANE S. SHAW

(Jane S. Shaw, Senior Associate of PERC, a research center in Bozeman, Montana, is this month's guest editor.)

Free Market Environmentalism

Free market environmentalism is based on two premises, the first of which is that free markets provide the higher incomes that in turn increase the demand for environmental quality. Few would deny that the demand for environmental quality has increased dramatically in the past 25 years, and there is growing consensus that the cause of that increased demand is rising incomes. New studies show that the relationship between per capita income and environmental quality follows a "J-curve" pattern. At very low levels of income, environmental quality may be high because no effluent is produced. As incomes rise above some minimum, pollutants increase and the environment deteriorates. But then at per capita incomes of approximately $5,000 per year, environmental quality begins to become a luxury good. Above that income level, estimates by Don Coursey of Washington University in St. Louis show that for every 10 percent increase in income there is a 30 to 50 percent increase in the demand for environmental quality. We may all be environmentalists now, but the cause is not a born-again experience at Walden Pond; it is increasing wealth generated by free markets that has given us the wherewithal to afford environmental luxuries.

The second bulwark of free market environmentalism is that market for environmental amenities provide incentives for individuals to treat the environment as an asset rather than a liability. . . . Coercive environmentalists claim to know where we ought to go and use the powers of government to get us there. For them there is never enough wilderness, species should not go extinct, and pollution should not exist. That asserted, why not use command and control?

Free market environmentalists make no claims that they know what ought to be done. That will be determined by human action revealed in voluntary transactions where prices provide incentives for willing buyers and sellers to cooperate to achieve their mutual ends.

—TERRY L. ANDERSON *and*
DONALD R. LEAL
"Letters," *Regulation*, No. 2, 1994

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Risks in the Modern World: What Prospects for Rationality?

by Fred L. Smith, Jr.

Risk refers to the likelihood that something will go wrong.[1] People naturally fear such mishaps, and risk aversion is a basic survival trait. Only non-survivors rush in where angels fear to tread![2]

Even in our relatively safe world, there is much to fear: crime, disease, highway and other accidents. The surprising issue is not that people fear, but that people should come to fear the dynamic forces upon which America was built.

Americans are afraid of economic growth and technological advance, even though these forces largely account for our current well-being. The prominence of this attitude is a relatively new phenomenon; as recently as the 1950s, American culture still revered science and technology. Scientists and innovators were heroic figures, the Bell Science Hour was a popular television series, and youngsters read *Microbe Hunters* with enthusiasm. No longer. Today's popular culture uses the scientist more as a careless Dr. Frankenstein than a heroic Prometheus and views scientific achievements as more evidence of man's arrogance than man's genius. What accounts for the modern reaction?

Mr. Smith is president and founder of the Competitive Enterprise Institute in Washington, D.C. He is co-editor of Environmental Politics: Public Costs, Private Rewards *(Praeger, 1992).*

The Wildavsky Legacy

More than almost any analyst, the late Aaron Wildavsky examined why America had become so frightened and, through his books *Searching for Safety*, *Risk and Culture* (with Mary Douglas), and *The Rise of Radical Egalitarianism*, among other works,[3] he largely structured the debate on reform of risk policy. Consider some of his basic concepts:

- **The safe and the dangerous are intertwined:** Wildavsky was fond of the Jogger's Dilemma. Joggers, he noted, all too often drop dead of heart attacks in mid-stride. The stress of exercise is too much for some bodily systems to handle. Nonetheless, joggers are less likely to die of heart disease than their sedentary colleagues and exercise provides significant long-term health benefits. Jogging may be a "risky" activity, but it tends to reduce the health risks that people face. Wildavsky used this analogy to illustrate that safety and danger are rarely separable, but rather inextricably mixed elements of life. The conclusion, in Wildavsky's view, was: We must not seek a "safe" course but rather a "safer" course. To make our lives safer, we must prudently accept the introduction of new risks.
- **We search for safety:** Wildavsky noted that safety is discovered—not designed. Increased safety results from a learning

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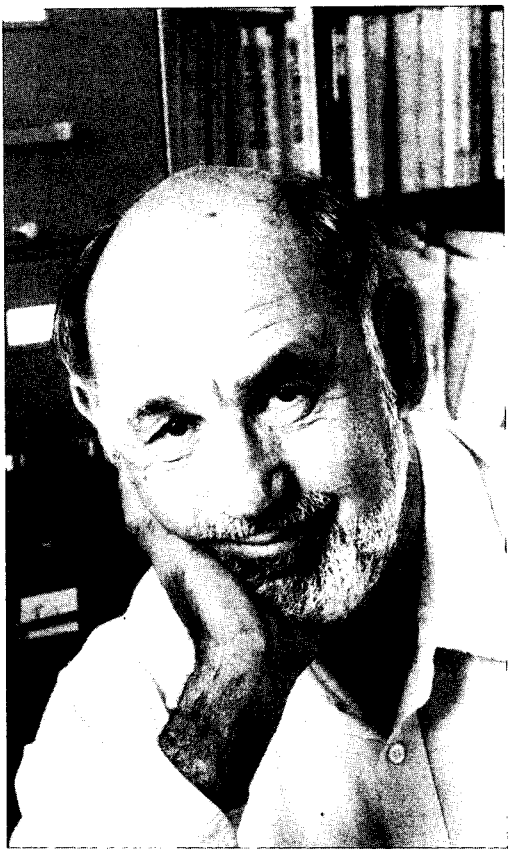
process. We try new things, make mistakes, and learn from our experiences. Over time, risks are reduced. This "trial by error," evolutionary approach to a safer world stands in sharp contrast to the "trial without error" approach demanded in today's highly politicized risk management world.

- **Wealthier is healthier:** Money is not just wealth; it is also a measure of our ability to fend off disasters. A wealthier population can buy healthier food, live in safer neighborhoods, purchase higher quality goods, see doctors more frequently. To Wildavsky, this suggested that all risk reduction regulations should meet a minimum test: They must save more people than they kill. Many of America's more expensive regulations fail this standard.[4]
- **Anticipation vs. resilience:** Wildavsky challenged the common belief that risks should be avoided, that we should always look before we leap. He argued that in a world where many, perhaps most, serious risks are surprises, the more rational course is to improve our resilience—our ability to ride out unexpected disasters. Greater wealth is one element of this strategy. These common-sense approaches to risk championed by Wildavsky are largely ignored in the policy arena. Politicized risk managers seem obsessed with the risks of change but treat lightly the risks of stagnation. The risks of going too fast are carefully examined, but the risks of going too slow are largely ignored. Yet, as any bicycle rider knows, speed can improve stability and enhance safety, though it can also increase the damage from a fall. Once a society demands unattainable levels of safety—a risk-free world—public policy becomes divorced from reality. To an increasing extent, that is the situation we are in.



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Aaron Wildavsky

Why Is America Afraid?

Wildavsky believed that the primary factor explaining modern attitudes toward risk was the dramatic rise in the power of radical egalitarians—that is, those who see all differences among the citizenry as evidence of injustice. In a balanced culture, egalitarian values are tempered by other viewpoints. The egalitarian impulse underlying the sentiment that "all men are created equal" is counterbalanced by the notion that all men must be free. However, like Alexis de Tocqueville before him, Wildavsky noted that America has always been prone to egalitarian excesses, and this tendency led to the current situation, particularly after the Vietnam War radicalized a whole generation of intellectuals.

Egalitarians view differentiation itself as evil. Thus they oppose the "creative destruction" that accompanies economic and technological change, since change creates winners and losers. Egalitarians favor a "steady-state" economy and thus view with suspicion the changes brought about by economic and technological growth. They sympathize with claims that cancer is caused by corporate malfeasance and that modern technology is creating public health disasters. Their egalitarian preferences for a

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world of sharing, of communitarian values, lead them to see the world in stark Malthusian tones. They readily believe that the earth is inherently fragile, that man's activities threaten to warm or cool or dry or flood the earth. A world at risk demands common sacrifice, and compels us all to band together if we are to survive.

To Wildavsky, modern environmentalism is best viewed as a restatement of this egalitarian distaste for our modern society. However, he also examined many of the standard arguments advanced by those supporting modern attitudes toward risk:[5]

• **In the modern world, environmental risks are extremely important:** In this view, it is rational to fear technology and industry, which have unleashed dangerous involuntary risks on humankind. In fact, however, objective data suggest that technology per se creates few public health concerns of a magnitude comparable to those faced by primitive societies. For example, relatively few cancers can be attributed to pollution, occupational exposures and the like.[6] People are living longer, healthier lives than ever before. Environmental risks are still very low compared to other existing threats. The world is not getting riskier, it is getting safer, and the environmental concerns many people fear are not very dangerous.

• **Modern Americans are more risk intolerant:** In this argument, it is not that the world has become riskier; but, rather, a wealthier, healthier population has naturally become more concerned with risks. This argument seems plausible. Earlier American leaders grew up during the Depression and World War II and experienced serious dangers. In contrast, "baby boomers" have experienced few real risks. Not surprisingly, therefore, the boomers are more risk averse and demand a higher level of safety than their parents. However, this explanation ignores the fact that baby boomers, particularly those who agitate for government risk regulation, have not displayed any great aversion to risky lifestyles. They have experimented widely with potentially hazardous drugs, promiscuous sex, and a wide array of other dangerous, albeit exciting, recreational activities, from hang gliding to Third-World tourism. Increased risk aversion per se does not appear to explain modern attitudes toward risk, though it may have some influence.

• **There are risks and there are *risks*:** To some, public attitudes toward risk are a function not only of the "objective" magnitude of actual risks, but also of the manner in which these risks occur. Risks that are voluntary, visible, or reversible are more acceptable than risks that are hidden, imposed, or permanent. This is the difference between "hazards" (risks that are "legitimate") and "outrages" (risks that are not). This explanation has a surface plausibility.

But which risks are voluntary and which are not? Are the risks of living near a nuclear plant, of drinking water that may contain low levels of chemicals, or of sharing blood with strangers accepted voluntarily? Or are they outrageous risks imposed on us by the nuclear industry, manufacturers whose chemicals get into the water supply, and AIDS carriers? Different people at different times seem to view the same risks very differently. Environmentalists advocate limitations on smoking in private restaurants, even though secondhand smoke is an avoidable risk (and an inconsequential one in most cases as well). However, they see nothing wrong with regulations that cause harm by reducing wealth or denying technology. The fact that any risk may be easily reclassified according to the values of the judging party makes the distinction between voluntary and involuntary risk highly suspect.

• **America has enlarged its fear-promoting institutions:** Since World War II, risk regulatory agencies have seen their powers expanded and a host of new agencies has been created. The alphabet soup of regulatory offices—FDA, EPA, OSHA, FTC, etc.—emphasizes certain risks and ignores others. These agencies are assigned no responsibility for the risks of economic and technological stagnation; they need consider only the possible risks from a new product or process. Moreover, if such agencies are to maintain and expand their staffs and bud-

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gets, they must persuade Congress that their role is essential. That reality explains why EPA pronouncements read as if they were written by Stephen King. Environmental groups are under similar pressure in their drive to raise funds. Incentives to arouse fear do help explain the growth of anti-technology attitudes in America.

The Role of Culture in Risk Selection

Wildavsky recognized that modern attitudes toward risk had many causes, but he believed the dominant factor remained cultural. The things we choose to fear reflect our values more than knowledge about actual risks. We select to fear those things that convince us that our deeply held prejudices are valid. What else can explain our willingness to ignore the vast ocean of natural carcinogens in which we live, while spending literally tens of billions on the trivial quantities of pesticide residues? Wildavsky believed that America's intense preoccupation with trivial risks reinforces egalitarian values. Finding threats in economic activity and technological change allows us to castigate business, condemn modern wealth distributions, and argue for a radical restructuring of modern society.

What Is to Be Done?

Any improvement in risk management will require both reforming existing institutions and expanding the scope of private risk management. The latter is preferable, but political realities require attention to short-run reforms in addition to long-term solutions.

Currently, the EPA and other risk regulatory agencies are biased against change. These agencies must be forced to consider the risks of economic and technological stagnation as well as the risks of technology itself. How might this be done? One way is to encourage "conflicts of interest" within agencies' goals—for example, all risk agencies should also have the responsibility of promoting technology.

Such an approach would reverse decades of "good government" reforms designed to separate agencies devoted to safety from agencies focused on advocacy. Past reforms gave the EPA control over agricultural chemicals, while the U.S. Department of Agriculture was to concern itself with farm output only. The idea was to make the EPA more focused on safety; but it also gives the EPA little reason to consider the impact of pesticide regulations on agricultural productivity, food prices, or product availability.

A less ambitious step would be to create a new position in all regulatory agencies to deal with new technologies. Appoint a Technology Ombudsman charged with making a case for the earliest possible approval of the broadest possible range of new technologies. In order to grow, the office would have to demonstrate that the EPA and other agencies are regulating too much, thus providing a counterweight to the presumption that more regulation is always good. The goal would be to ensure a more balanced trial, with advocates on both sides of the issue. (The Catholic Church pioneered in this type of reform when it created both an Advocate of God and a Devil's Advocate in its canonization process. One office was charged with advancing the case for sainthood, the other for shooting it down.)

Another possible institutional reform would be to mandate Post-Regulatory-Approval Audits for products when they are finally approved. The goal would be to assess the losses (both economic and to human health) associated with their delayed introduction. Thus, when the Food and Drug Administration announces a new drug, celebrating how many lives it will save in the future, such an audit would point out how many lives could have been saved had the FDA acted even sooner.

If such reforms are to have any chance of success, some support or at least acquiescence by egalitarians will probably be necessary.[7] What would motivate this group to rethink its opposition to choice and technology? Possibly the distributional consequences of anti-technology and anti-growth policies could persuade them. Little effort

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has been spent to show the effect of modern risk management policies on the poor and on the Third World, yet they may be significant. To choose just one example, if bans on pesticides make fruits and vegetables more expensive, the poor are hurt more than the well-off.

Toward Private Risk Management

Unfortunately, reforming the political bureaucracy is rarely successful. Thus, we should begin now to relegitimize private risk management.[8]

The task of government is not to ensure our safety—but to ensure our rights. We may elect to hang-glide, to hunt, to smoke, to explore underwater caves, to ski, to take non-approved pharmaceutical products, and we should be free to do so. There are risks entailed by such choices, but people should be free to make those choices and bear the responsibility for them. There can be no values, no clarity about justice in a world where others decide what is good for us.

Individuals should be free to voluntarily expose themselves to increased environmental risks if they believe that there are offsetting benefits. For example, some people may oppose the siting of a new incinerator in their backyard, while others may see it as a source of wealth and opportunity. Different people with different needs will judge such situations differently, examining the risks and the benefits that lie on each side of the equation. Furthermore, in accepting risks, people should be free to use private means of managing their risks. A role for policy is to make sure that private insurance is not destroyed by government, to restore and strengthen the traditional right of private contract, and to protect private ownership.

Aaron Wildavsky's work points out the need to expand the arguments in favor of private risk management and to elucidate the reforms that can enable us to achieve it. As former EPA Administrator William Ruckelshaus has noted, echoing Ben Franklin, a frightened population is often all too willing to sacrifice its freedom for the promise of security. Many in America have understood that fact and are using it to erode our freedom.

In sum, fear is rational; today's system of political risk management is not. Our challenge is to make that fact evident to the citizenry. □

1. This article seeks to synthesize the work of Aaron Wildavsky on risk and to suggest the policy implications of his work. Wildavsky was the world's expert and his untimely death in September 1993 left many unanswered questions. I venture this essay in the hope that others will take up the quest.

2. Of course, the sociobiological case for heroism (the altruistic gene argument) does suggest that this remark be qualified.

3. See Aaron Wildavsky, *Searching for Safety* (New Brunswick, N.J.: Transaction Books, 1988); Mary Douglas and Wildavsky, *Risk and Culture: An Essay on the Selection of Technical and Environmental Dangers* (Berkeley: University of California Press, 1982); and Wildavsky, *The Rise of Radical Egalitarianism* (Washington: American University Press, 1991).

4. See, for example, Daniel Mitchell, "The Deadly Impact of Federal Regulations," *Journal of Regulation and Social Costs*, June 1992; and, Wildavsky, *Searching for Safety*.

5. For a more detailed discussion of this point, see "Who Wants What and Why? A Cultural Theory" and "Theories of Risk Perception" in Wildavsky, *The Rise of Radical Egalitarianism*.

6. See Michael Gough, "How Much Cancer Can EPA Prevent?" *Risk Analysis*, Vol. 10, no. 1, 1990.

7. Ideas do have consequences—especially among the intellectual class. Consider, for example, the shift of opinion at *The New York Times* on the value of minimum wage legislation. Over time, the editorial staff became convinced that such laws harm, rather than help, the poor. See *The New York Times*, "The Right Minimum Wage: $0.00," January 14, 1987.

8. These points are elaborated in my chapter, "Environmental Policy at the Crossroads," in *Environmental Politics: Public Costs, Private Rewards*, Michael Greve and Fred Smith, eds. (New York: Praeger, 1992).

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Chemicals and Witches: Standards of Evidence in Regulation

by Robert H. Nelson

Why do bad things happen? Why does a child die? Judeo-Christian theology instructs its followers to trust that God has a purpose, however difficult it may be to understand.

That answer has not been fully satisfactory for many people. Before the Enlightenment, many in the European religious world explained disasters through evil spirits, witches, and other agents of the devil, which undermined true faith, spread injury and disease, and caused many bad things to happen.

Our modern and scientific age—a time when most people no longer believe in the active presence of the devil in the world—confronts a similar problem. Science tells us that our fate is a matter of the workings of the laws of nature: Cancer is an accident of cell biology; a high death rate in one town is simply the random statistical consequence of the workings of probabilities in a nation with many thousands of communities. Yet secular thought today is as filled with devils, and bad things are as attributed to evil influences, as in the European world of 500 years ago.

The many parallels were developed in a remarkable article—still known mainly to environmental specialists—that appeared in 1980 on "Witches, Floods and Wonder Drugs."[1] The author, William C. Clark, then at a prestigious international think tank, the International Institute for Applied Systems Analysis in Vienna, Austria, is today a member of the science, technology, and public policy program at the Kennedy School of Government at Harvard University.

Clark begins by noting that "for several centuries spanning the Renaissance and Reformation, societal risk assessment meant witch hunting." Indeed, people found in "'witches' a convenient label for their fears of the unknown." It was their way of dealing with "the inevitable misfortunes which befell one's crops, health and happiness." Although the Catholic Church did not aggressively persecute witches for many centuries, the publication in 1486 of *The Hammer of the Witches* proved, as Clark writes, a "collective consciousness watershed." Witch hunting rose to fever pitch in the sixteenth and seventeenth centuries, as public panics came and went, and many tens of thousands of alleged witches were executed throughout Europe.

Witches and Chemicals

Clark sees similar phenomena underlying our modern chemical panics, although the hapless victims are no longer executed; instead, they lose their jobs, businesses, and communities. The governing authorities to-

Dr. Nelson is Professor of Environmental Policy at the School of Public Affairs at the University of Maryland.

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day are often just as craven in capitulating to public fears.

He notes that a key question is "the kind of evidence we admit in our attempts to answer" questions of cause and effect, of guilt and innocence. In both witch hunting and contemporary chemical hunting, there is no "conceivable empirical observation which could logically force an answer 'No.' In neither case is there a 'stopping rule' which can logically terminate the investigation short of a revelation of guilt."

In the witch hunts of the sixteenth and seventeenth centuries, "the Inquisition's principal tool for identifying witches was torture. . . . If she said no, what else would you expect of a witch? So she was tortured until she confessed the truth." And in our current chemical inquisitions, Clark notes, something that is not a risk with a parts-per-trillion test "can always be exposed to a parts-per-billion examination. . . . The only stopping rule is discovery of the sought-for effect, or exhaustion of the investigator (or his funds)."

Environmental investigators, for example, proclaimed a decade ago that dioxin was among the most carcinogenic chemicals ever seen. The occupants of Times Beach, Missouri, were relocated in haste after dioxin was found in its streets. Yet, by the 1990s, the scientist who had called for this evacuation had recanted. Workers heavily exposed to dioxin in a 1970s industrial accident in Italy were showing few of the dire effects predicted. Michael Gough, formerly director of the Center for Risk Management at Resources for the Future, and past coordinator of a major dioxin study for the Congressional Office of Technology Assessment, wrote in 1993 that all credible studies "have concluded that dioxin exposure has not caused elevated levels of cancer."[2]

In response to such challenges, the Environmental Protection Agency initiated a new dioxin study in 1991. Yet when the EPA finally released its study in 1994, dioxin was not exonerated. The EPA grudgingly acknowledged that the original cancer concerns might still be unproven by any direct epidemiological evidence, but now dioxin was charged with a new litany of sins. It was as Gough had commented: "No experiment or study can prove the negative. . . . As each postulated connection dissolves, new ones can be proposed."[3]

Perhaps dioxin will eventually be proven a great menace. The full scientific truth will not be known for some time to come. What is obvious is that, like the witch hunters of the sixteenth and seventeenth centuries, the members of government bureaucracies have a large personal stake in the outcome—as large as the chemical manufacturers whose scientific reports are routinely dismissed by many people. As Clark noted, "there was certainly an element of opportunistic careerism in the Inquisition, and there is almost certainly an element of opportunistic careerism in the present risk assessment movement."

Arousing public fears is an ancient bureaucratic strategy, practiced effectively early in this century, for example, by the founder of the Forest Service, Gifford Pinchot. He warned constantly—and altogether baselessly, as matters turned out—that the nation would soon run out of wood, that there would be a dire "timber famine."

Witch hunting was not limited to any one religion or country. Indeed, while the Inquisition was Roman Catholic, about 4,000 witches were executed in Calvinist Scotland between 1590 and 1680. Paul Johnson reports in his *History of Christianity*[4] that "wherever Calvinism became strong, witches were systematically hunted."

The Salem Experience

The execution of 19 witches in Salem in 1692, backed by leading members of the Massachusetts Puritan branch of Calvinism, was no great anomaly, although it came near the close of the witch hunting craze. The Salem court that heard the case consisted of seven prominent citizens, including the lieutenant governor of the Massachusetts colony. The victims were convicted largely by "spectral" evidence supplemented by the

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confessions of other supposed witches. Spectral evidence consisted of testimony in which a vision of the alleged witch—the "spectre"—was said to have appeared before the witness and tempted that person to evil deeds. The appearance of such a spectre was attributed by the court to the witch, and was considered to be decisive evidence of the possession of witchcraft powers.

(By the way, no one who confessed was executed at Salem. Execution was reserved for people who refused to admit their guilt and thus continued in defiance of God and the court—hardly an incentive to resist confession.)

Today, risks of chemicals are assessed from animal tests based on the "maximum tolerable dose." A sample of rats, for example, will be exposed to the chemical at the highest dose that the rats can accept and still continue to live. This dose will often be many hundreds or thousands of times the equivalent doses to which humans are exposed. If the rats then show abnormal rates of cancer or other health problems, the chemical stands convicted.

The standard of proof here is not much higher than the spectral evidence and the "voluntary" confessions accepted by the Salem court. Normal human health requires many chemicals that would be very harmful in the body at much higher concentrations. There are large numbers of "natural" chemicals that have been present in the food supply for thousands of years and that today show positive carcinogenic results under current testing methods.

Science magazine found the existing standards of scientific evidence so lacking that it called editorially in 1990 for an end to chemical witch hunting: "Resultant stringent regulations and attendant frightening publicity have led to public anxiety and chemophobia," said the editorial. "If current ill-based regulatory levels continue to be imposed, the cost of cleaning up phantom hazards will be in the hundreds of billions of dollars with minimal benefit to human health. In the meantime, real hazards are not receiving adequate attention."[5]

Bruce Ames, an early developer of tests for carcinogenic impact and Professor of Biochemistry and Molecular Biology at the University of California at Berkeley as well as a member of the National Academy of Sciences, writes with Lois Gold that existing maximum tolerable dose methods of testing, even though they are a main method used by the government for assessing cancer risk, are of little worth. They "cannot predict the cancer risk to humans at the much lower levels to which [humans] are typically exposed."[6]

Increase Mather (1639–1723) was among the Puritan leaders who issued a statement in 1692 that rejected the use of spectral evidence in witch trials.

The Massachusetts executions of witches came to an end when charges started being hurled not only against the social outcasts and the poor but against the governing officials, the relatives of clergy, and other prominent members of the Massachusetts colony. The turning point was a public statement issued in the fall of 1692 by Increase Mather and other leading Puritan ministers rejecting the use of spectral evidence. Similarly, Clark reports that a critical event in the winding down of the witch trials in Europe was the publication by Inquisitor Alonso Salazar y Frías of a detailed analysis of witch burnings at Logroño, Navarre. The analysis by this well-respected member of the church showed that "most of the original accusations had been false, that torture had created witches where none existed, and

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that there was not a single case of actual witchcraft to show for all the preaching, hunting, and burning which had been carried out in the name of the church." Perhaps Bruce Ames and the small band of other scientists who have had the courage in recent years to insist on firm evidence in the face of today's environmental panics will eventually find a similar place in history.

Environmentalists as Puritans

Environmental witch hunting is only one of several ways in which the more radical segments of the present environmental movement have revived the seventeenth-century heritage of Puritan Massachusetts. When radical environmentalists such as David Brower and David Foreman refer to mankind as the "cancer" or "AIDS" of the earth, they are repeating once again the old Calvinist message of doom and gloom—that mankind has fallen into a deep and fundamental state of depravity and that the earth is headed for divine retribution unless human beings mend their corrupt ways.[7]

In his classic study of the New England mind of the seventeenth century, the Harvard historian Perry Miller observed that the Puritans were "obsessed with" the "theology of nature." They had a "reverence" for nature reflecting their belief that "the creatures . . . are subordinate arguments and testimonies of the most wise God, pages of the book of nature, ministers and apostles of God, the vehicles and the way by which we are carried to God."[8] Environmentalism today, in essence, secularizes this theology.

In Nature it is possible to experience directly the Creation; in theological terms, it is possible to encounter a work of God free of the corruptions introduced by sinful humanity. Indeed, intellectual historians such as Miller have traced a path from the Puritans through the New England transcendentalists of the nineteenth century to current environmentalism. The founder of the Sierra Club, John Muir, followed in the footsteps of Ralph Waldo Emerson; the late Edward Abbey, a writer who lamented the loss of the pristine West, was an intellectual descendant of Henry David Thoreau.

The Judeo-Christian heritage is the bearer of many of the glories of Western civilization. American Puritanism helped to spur abolitionism and women's rights, and is the great source of much of the reform impetus in American history. Yet Western religion has also fallen into moments of persecution and fanaticism.

Such moments come when trust in reason erodes. The persecution of witches arose at about the same time as the Protestant Reformation. The Roman Catholic church became increasingly defensive as Luther, Calvin, and other Protestants contested its authority. Reason was called into question as the Reformation challenged the natural law theology of the medieval Roman Catholic church. Similarly today, trust in reason is fading as science faces growing numbers of doubters. This paves the way for hysterical reactions.

As environmentalism undertakes the worthy task of further developing the religious grounds for the stewardship of the earth, it will be well to recall these lessons of the past. In matters of environmental regulation of chemicals, the future credibility of the environmental movement rests on demanding strict standards of proof before taking actions that displace many people and spend many tens of billions of hard-earned citizen dollars. □

1. William C. Clark, "Witches, Floods, and Wonder Drugs," in *Societal Risk Assessment: How Safe is Safe Enough?* edited by Richard C. Schwing and Walter A. Albers, Jr. (New York: Plenum Press, 1980), pp. 287–313.

2. Michael Gough, "Dioxin, Perceptions, Estimates, and Measures," in Kenneth R. Foster, David E. Bernstein, and Peter Huber, eds., *Phantom Risk: Scientific Interference and the Law* (Cambridge, Mass.: MIT Press, 1993), p. 268.

3. Michael Gough, p. 272.

4. Paul Johnson, *A History of Christianity* (New York: Atheneum, 1987), p. 310.

5. "Testing for Carcinogens with Rodents," editorial, *Science*, September 21, 1990, p. 1357.

6. Bruce N. Ames and Lois Swirsky Gold, "Environmental Pollution and Cancer: Some Misconceptions," in Foster, Bernstein, and Huber, *Phantom Risk*, p. 154.

7. See Robert H. Nelson, "Environmental Calvinism: The Judeo-Christian Roots of Eco-Theology," in Roger E. Meiners and Bruce Yandle, eds., *Taking the Environment Seriously* (Lanham, Md.: Rowman and Littlefield Publishers, Inc., 1993).

8. Perry Miller, *The New England Mind: The Seventeenth Century* (Cambridge, Mass.: Harvard University Press, 1954), pp. 208–209.

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THE FREEMAN
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Controlling Risk: Regulation or Rights?

by Richard L. Stroup

For many decades, Louisiana's Gulf Coast has been a center of oil and chemical plants. The region has higher-than-average rates of death from cancer, and has even been dubbed "Cancer Alley." Many people assume that the chemical plants are causing cancer along the Gulf Coast.

But there is evidence that this assumption is wrong. In 1992, the Louisiana Cancer and Lung Trust Fund Board reported that the incidence rate of virtually all cancers was "at or below the national average," in the words of Joel L. Nitzkin, Director of Special Projects for the Louisiana Office of Public Health.[1] (The exception was lung cancer in males, but Nitzkin, like other experts, attributes more than 90 percent of these cancers to cigarette smoking.)

Yes, death rates from cancer were high. But the reason, Nitzkin explained, was not that chemical plants were inducing more cancer. If they were, cancer *incidence* rates would be higher, and they are not. Instead, people in the area with cancer have not been getting adequate medical care.

This incident illustrates how easy it is for the public (and even experts) to misread information about risk. When you couple that with a political system that caters to demands for government intervention (as ours does), the result is a series of major government programs that are totally misdirected.

Much of the environmental policy in the United States is driven by the fact that voters see potential gains from reducing risk through the political process. They believe that they benefit and they think that giant, faceless corporations pay for those benefits. While they may act quite differently on an individual level (for example, they may be quite willing to bear small risks), as voters they tend to support heavy expenditures to reduce risks, however small. As in the case of "Cancer Alley," these programs may be based on mistaken perceptions.

Voter ideology affects public policy as well. Those on the left, mistrusting capitalism, tend to worry a lot about the risk from industrial chemicals. The ideological element of their worry can be seen by noting that at the same time they fear chemical pollution, they tend to minimize risks from HIV-positive individuals in the food service or health-care industries. People on the ideological right tend to have the opposite emphasis.

The view from the left dominated environmental policy in the 1970s and 1980s, so it's not surprising that policy focused on industrial chemicals and on regulation as the way to deal with them. But it's important to

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realize that this is not the *only* way to deal with pollution such as industrial chemical emissions or waste. While everyone agrees that it is wrong to impose risk unilaterally on others without their consent, beyond minimal levels, regulation is not necessarily—or even traditionally—the way to get people to stop polluting.

Superfund as an Example

The Superfund program, created by Congress in 1980, illustrates the radical shift toward tight regulation that has taken place in dealing with pollution. Prior to the creation of Superfund, people exercising their rights could sue in court to force the owners of leaking chemical dumps to clean up any site posing unacceptable risks.

But suspicion and accusations were not enough. The burden of proof lay with the plaintiff. The level of proof required was not the stringent "beyond a reasonable doubt" standard of criminal cases, but the "more likely than not" standard, which is more easily met. Nevertheless, meeting this standard could be difficult. Perhaps the harm would only appear years later as a birth defect or an illness such as cancer. If the damage, or unacceptable risk, could not be detected at the time of the lawsuit, common law would not force action. Another problem with these common-law suits was that even if the risk was known, the creator of the site might not be located or might be insolvent.

In 1980, Congress confronted what seemed to be an emergency, although ultimately the "crisis" turned out to be as inaccurate a perception as Louisiana's "Cancer Alley." In Niagara Falls, New York, chemicals from a former industrial waste site known as Love Canal seeped into people's basements after the canal walls had been punctured by the local school board, the city government, and the state department of transportation. Fearing the worst, people reading headlines all over the country worried about thousands of "ticking time bombs"—abandoned dumps—that were threatening the nation's health. In fact, however, studies since then have not confirmed any unusual long-term dangers to residents in the area of Love Canal.

Congress abandoned the traditional way of dealing with health threats from hazardous waste, which required evidence that the pollution complaint was more likely than not to be correct. Congressmen wanted action, and the rights of those who ultimately would be required to pay were treated as insignificant. (Another boost came from the EPA, which saw Superfund as a way of expanding its power.)

Superfund is largely immune from the budget process because it is financed by a special tax on chemicals, oil, and a broad-based corporate income tax. Furthermore, the EPA can potentially recapture all the costs of the cleanups it incurs from the companies that contributed waste to the site (even if they followed the law at the time). To prevent delays, Congress made the actions of the EPA at any site largely immune from judicial review until after the money is spent to clean up the site. Often, very large amounts of money are involved. The EPA makes people pay, on average, an estimated $30 million per site cleanup.

This unlimited access to the purses of others gives EPA professionals an incentive to pursue their mission with much zeal and little restraint. While their goal may be high-minded—cleaning up sites to protect the public—they have an incentive to clean up just about any site just about anywhere, as long as it might pose even a small potential danger. And they do. (That doesn't mean that cleanups are fast or effective. Traditional bureaucratic inertia sets in, and critics from across the political spectrum assail the Superfund program as wasteful and ineffective.)

EPA professionals force cleanups at many sites where the existence of high risk is dubious, and where risk could be minimized without cleanup by isolating contaminants or by restricting site use. EPA risk assessments pile conservative (that is, ultra-safe) assumption on conservative assumption to exaggerate estimated risk. Outside experts indicate that the resulting risk esti-

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mates may easily overstate the expected value of a given risk by a factor of a thousand or 10,000.

Imaginary Health Risks

Most of the health risks claimed in the site assessments are purely imaginary. They are based on future scenarios that hypothesize "reasonable maximum exposures." EPA claims that the risks could "plausibly" occur, but that claim is often doubtful. For example, the EPA frequently assumes that an industrial hazardous waste site will become a residential area. And, despite official EPA guidance to the contrary, important information revealing the uncertainty of the estimates is routinely omitted from material provided to the public and to officials.

This process has led to opposition around the country as citizens of communities with Superfund sites (or potential Superfund sites) try to keep the EPA out. They contend that their towns are safe; the EPA says they are not. Even the General Accounting Office has criticized the EPA for failing to compare the benefits of cleanup with the benefits of using those funds to deal with other environmental problems.

In sum, Superfund is not an effective way to reduce health risks. It reduced the traditional protections that people and companies can expect from legal due process, and it hasn't clearly helped anybody, except lawyers, consultants, and the EPA. Much the same has been shown to be true of many other regulatory programs.

Rights, Prosperity, and the Environment

Is there another way? Yes. The traditional way of dealing with pollutants is by protecting rights. This approach is based on the recognition that people have a right not to be invaded by others, and this includes invasion by excessive pollutants emitted by others. This approach to controlling pollution was not perfect, but now that we see the ills of regulatory programs, it looks better than it did in the 1970s.

Enforcing rights would not completely end emissions of potentially harmful pollution. Nor should it. For example, a polluter might offer to purchase the rights of those downwind. Those affected could choose between moving, for compensation, or staying where they are, insisting on their rights, but losing compensation.

If we can return to a rights approach, much money will be saved—not just taxpayers' funds, but some of the $150 billion spent each year by industry to meet environmental regulations that often accomplish little. One important result will be greater prosperity.

Prosperity, or rising levels of wealth and income, are a key to environmental improvement. Prosperity makes possible technological advances that reduce stress on resources and emit fewer pollutants; data from around the world show that technologically advanced nations generally have cleaner, healthier environments. Furthermore, the demand for environmental improvements—the willingness and ability to sacrifice to achieve more environmental quality—grows more than proportionally as income grows. Economist Donald Coursey estimates that when incomes grow 2 percent, willingness to sacrifice for added environmental quality grows 5 percent.[2] Around the world, greater prosperity also leads to reductions in birth rates over time and an easing of population pressures.

And prosperity is the way to help the people in "Cancer Alley." With more income and greater prosperity, they can obtain the timely medical care that will save their lives. □

1. Joel L. Nitzkin, "Cancer in Louisiana: A Public Health Perspective," *Journal of the Louisiana Medical Society*, April 1992, p. 162.

2. Donald Coursey discussed this topic in "The Demand for Environmental Quality," a paper presented January 1993 at the annual meeting of the American Economic Association in Anaheim, California.

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Recycling Myths

If there's a buzzword in the business of managing America's solid waste problem, surely it is "recycling." At times the term seems to have taken on an almost religious meaning, with the faithful assuming that "disposable" is bad and "recycling" is good by definition.

There's nothing wrong with recycling when it's approached from a perspective of sound economics, good science, and voluntary cooperation. Too often, it's promoted as an end in itself without regard to whether it's worth the time and expense.

Recently, a speaker on this subject told my local Rotary Club that we should all recycle more of the paper we use so America could save its trees. The implication was that we're using too much paper, that trees are endangered, and that our civic duty requires that we do more with less.

As it turns out, most of the trees that are planted in America are planted with the intent of eventually harvesting them to make things like paper. This means that if we all used less paper, there would be fewer trees planted. Maybe some people ought to use less paper anyway (bureaucrats, for instance), but no one should assume that the people who are in the business of growing and harvesting trees are going to continue to do so even if we don't buy their products.

"We're running out of trees" is a fiction older than most of the trees alive today. The truth is that though the total area of forestland in the continental United States is about the same as it was 75 years ago—600 million acres—there are far more trees because of greater tree density per acre. Market-driven technological changes, such as the development of wood preservatives, have led to more efficient use of forest resources. Market incentives have given private land owners good reason to replant nearly three million acres of trees every year. So when it comes to paper, recycle to your heart's content, but not because you think we'll run out of trees if you don't.

A recycling mania has been sweeping the country for nearly a decade. More than 6,000 curbside programs are operated by local governments, serving at least 70 million Americans. In a recent year, more than 140 recycling laws were passed in 38 states—mandating the activity or requiring taxpayers to pay for it, or both. All this has occurred at the same time that cost-cutting entrepreneurs are busy producing less and less packaging to contain more and more goods.

Without any edicts from politicians, plastic milk jugs today contain 30 percent less plastic than they did just 20 years ago. The weight of aluminum cans declined by 36 percent between 1960 and 1990. Experts like Lynn Scarlett of the Los Angeles-based Reason Foundation point out that Ameri-

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ca's solid waste problem is a public policy failure, not a market failure.

Because of flat rate charges for municipal garbage pick-up and disposal, government policies in most areas subsidize those who throw away large quantities of refuse at the expense of those who throw away very little. Entrepreneurs know how to construct landfills now that pose absolutely no hazard to the environment, and anyone who has ever flown over almost any state knows there's plenty of land for this purpose, but naysaying regulators have almost closed down this efficient waste management option.

The fact is that sometimes recycling makes sense and sometimes it doesn't. In the legislative rush to pass recycling mandates, state and local governments should pause to consider the science and the economics of every proposition. Often, bad ideas are worse than none at all and can produce lasting damage if they are enshrined in law. Simply demanding that something be recycled can be disruptive of markets and it does not guarantee that recycling that makes either economic or environmental sense will even occur.

Many people believe that simply segregating plastic containers, glass bottles, newspapers, and metal cans and then placing them in colorful boxes at curbside means that recycling has somehow taken place. Without ever questioning either the cost or the outcome of the process that starts at the curb, they assume that whatever happens must be both economically and environmentally sound.

Recycling, however, doesn't really happen unless all that plastic, glass, paper, and metal is turned into new, useful products that are actually in demand in the marketplace. Some of what we put at curbside actually ends up in a landfill or piled to the ceiling in warehouses with no place to go. Recycling programs may make a lot of civic-minded citizens feel good, but the whole rationale is undermined to the extent they are nothing more than expensive, politically motivated, and circuitous methods of old-fashioned garbage disposal.

Quite often, more energy and resources are spent than saved in the process of recycling. Municipal governments, because of the inherent shortcomings of public sector accounting and budget information, routinely underestimate the full costs of their recycling programs.

One area where recycling plainly works is in the disposal of aluminum cans. Since the process requires 10 percent less energy than transforming bauxite into aluminum, it pays for producers to use recycled cans. Hence, a market has developed for these cans, and market incentives encourage entrepreneurs to find efficient ways to collect them.

One area where recycling doesn't make sense is in the disposal of juice containers used principally by school children. Aseptic disposable packages such as those small juice boxes were banned in Maine and are a target of the more extreme environmentalists. But as a 1991 study from the National Center for Policy Analysis (NCPA) in Dallas showed, such knee-jerk, interventionist, pseudo-solutions to nonproblems are rooted in misinformation or incomplete information:

- Filling disposable boxes requires about half as much energy as filling the supposedly preferable alternative, glass bottles.
- For a given beverage volume, transporting empty glass bottles requires 15 times as many trucks as the empty boxes—thus using more fuel and causing more air pollution.
- Because the end product is lightweight, small, and rectangular, the filled boxes can be transported more efficiently than full glass bottles—using 35 percent less energy.

Some states have threatened to ban disposable diapers as a way to encourage the use (and recycling) of cloth diapers. Studies show, however, that when all environmental effects are considered, cloth has no clear advantage over disposables. In California and other western states where there is relatively abundant landfill space and a shortage of water, the case for disposables is actually quite strong. Residents of those states who avoid them and wash cloth diapers with scarce water may actually be

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doing harm to the environment. The marketplace, once again, is not as dumb as certain do-gooders think it is.

Several cities, including Portland, Oregon, and Newark, New Jersey, have essentially banned polystyrene food packages. That's what McDonald's used to put its burgers in until it was pressured into switching to paperboard containers. The average American thinks these efforts are positive for the environment because they will somehow promote recycling. They also believe that because paper is "biodegradable" and polystyrene is not, the switch will reduce the need for landfills. The truth of the matter is more complicated than that.

Polystyrene, it so happens, is completely recyclable, which isn't always true of the paper used in, say, drinking cups. And those paper cups, by the way, cost the consumer about 2½ times as much as polystyrene.

Studies from NCPA and other respected organizations show that production of the old polystyrene McDonald's hamburger shell actually used 30 percent less energy than paperboard and resulted in 46 percent less air pollution and 42 percent less water pollution. The average 10-gram paper cup consumes 33 grams of wood and uses 28 percent more petroleum in its manufacture than the entire input of a polystyrene cup.

Furthermore, the paper cup requires 36 times more chemical input (partly because it weighs seven times as much) and takes about 12 times as much steam, 36 times as much electricity and twice as much cooling water to make, compared to its polystyrene counterpart. And, about 580 times as much waste water, 10 to 100 times the residual effluents of pollutants, and three times the air emission pollutants are produced in making the paper cup.

Environmentalists who put their faith in government, with hardly a scrap of evidence that suggests they should, seem oblivious to these realities. To them, mountains of refuse waiting to be recycled into things people don't want at a cost they would never freely pay is not a reason to abolish mandatory recycling schemes. Instead, it gives them a reason to pass new laws that would force-feed the economy with recycled products.

Market economists—by nature, philosophy, and experience—are skeptical of schemes to supplant the free choices of consumers with the dictates of central planners. The recycling mania confirms their suspicions. □

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EcoKids: New Automatons on the Block

by Jo Kwong

The other day my five-year-old twin girls asked me to turn on the Saturday morning cartoons. As I switched on the television, I recognized the characters from Ted Turner's *Captain Planet* and immediately pressed onward in the channel selection. One of my daughters recognized the show and cried, "But I want to watch that!" I explained that Captain Planet teaches children things about the environment and human nature that simply are not true. Reflecting on a phrase used in the show, she asked, "You mean, the power is not with us?" My heart sank as I realized I was finally experiencing one of my worst nightmares: the brainwashing of my children through environmental "education."

As our nation continues its all-consuming pursuit of protecting the environment, "regardless of the cost," we are overlooking the greatest cost of all: the toll on our children. My review of environmental "education" has revealed a number of unsettling trends and strategies. It is apparent, for example, that (1) children are being scared into becoming environmental activists, (2) there is widespread misinformation in materials aimed at children, (3) children are being taught *what* to think, rather than *how* to think, (4) children are taught that human beings are evil, (5) children are feeling helpless and pessimistic about their future on earth, and (6) environmental education is being used to undermine the simple joys of childhood. Are we raising critically thinking leaders or simple automatons that can recite that latest environmental dogma?

Raising EcoKids

A quick glance at the materials aimed at children and their educators reveals one very apparent trend: a call to activism. The bestseller *50 Simple Things Kids Can Do To Save the Earth*, published by The EarthWorks Group, urges kids to write to their U.S. Senators, the President, and world leaders, or join an environmental group. Suggested groups include the Natural Resources Defense Council, famous for perpetuating hysteria over Alar-treated apples in the late 1980s, and Greenpeace, an organization that even its admirers say built its reputation on publicity stunts and playing "fast and loose" with scientific facts.

The textbook *Your Health*, published by Prentice-Hall, encourages children to "consider joining an environmental group." Its suggestions for further contacts include Greenpeace, Zero Population Growth,

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Planned Parenthood, and Earth First! (a group that has solicited terminally ill people to undertake life-threatening eco-terrorist activities). And *Kid Heroes of the Environment*, another publication of The Earth-Works Group, praises children for conducting petition drives, organizing letter-writing campaigns to political leaders, and boycotting businesses.

The Alley Foundation, a "non-political, non-profit organization dedicated to the environmental education of our youth," distributes a book called "Cry Out." It tells the children, "Unless you take action NOW, the beautiful forests where you go hiking, the beaches where you swim in clean water, the clear morning when you take a breath of sweet-smelling air could all become things of the past."

What's so wrong about these calls to activism? Nothing, really, if children are taught solid facts about environmental science and if they understand the trade-offs involved in adopting alternative courses of action. Yet this hardly seems the case. Children are often taught by people lacking training in environmental subjects.

Consider that the United Nations Environment Programme markets its publication, "Environmental Education for Our Common Future," to teachers "*whatever subject they teach.*"[1] Or that school systems across the nation, often at the requirement of government mandates, are incorporating environmental education into traditional subjects such as mathematics, history, languages, and civics. Children are learning from teachers who can barely distinguish myth from fact in the environmental arena.

Myths vs. Facts

Environmental professionals have learned that sensationalism sells. It boosts donations to their non-profit organizations and helps peddle materials to educators. The focus is typically on the negative: how human beings or evil corporations are devastating the environment.

Take the infamous Exxon *Valdez* oil spill of March 1989. Environmental groups, recognizing a heaven-sent fund-raising blessing, sprang into action generating statements, press conferences, and reports that portrayed the spill as one of the greatest ecological disasters of all time. The media joined the frenzy. The public was informed that Prince William Sound would take at least 50 to 100 years to recover, and in the meantime the salmon and herring fisheries could go extinct.

Donations to environmental groups, which for many had been on the decline, shot up in response to the dire need for environmental protection. Largely ignored was the evidence that the oil spill was not in fact a major ecological disaster. In 1990, the fish catch topped 40 million, far exceeding the previous record of 29 million in 1987.[2] Internationally recognized oil pollution experts found the coast recovering nicely one year after the accident.

It seems that the truth loses out if a more sensational version is plausible. For example, children are taught that acid rain is destroying our forests; overpopulation will exhaust our resources; the ozone layer is rapidly being destroyed; and global warming will lead to disastrous climatic change. All of these, and many other scare scenarios, have been widely debated or refuted by experts. Yet, they are taught as facts.

A "Science Gazette" article in a Prentice-Hall textbook describes the consequences of warming of the earth with photographs of houses falling into the sea and a 1930s dust bowl farm. The text notes that warming in the polar regions could melt the ice and increase sea level by "as much as seven or eight meters!" Severe drought would occur in the western United States and "farms might have to be abandoned because of lack of water." In other places, more rain will fall, causing an insect explosion. "Valuable food crops would be gobbled up by millions of insect pests."[3]

Global warming is portrayed as a sinister process resulting from greedy human behavior. But, in fact, some warming is a natural phenomenon. Essential for the existence of life forms on earth, greenhouse gases, such

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as carbon dioxide, raise the average temperature to about 60 degrees Fahrenheit. Scientists disagree on whether increased carbon dioxide from coal burning and auto emissions will change the climate. The understanding is so vague that in the mid to late 1970s, scientists predicted that we were headed for a disaster via global cooling.

Understandably, it is difficult to present a balanced picture in textbooks. For one thing, the need for simple writing for children leads some authors to present issues as black or white, right or wrong. And the need to appease many interest groups in order to gain statewide adoption leads many textbook authors to write from the "politically correct" perspective. Nonetheless, it's well worth considering the impact that such doom and gloom scenarios may have upon our youth.

Raising Automatons

Environmental policy analyst Jonathan Adler tells about how classrooms of schoolchildren submitted public comments to the Food and Drug Administration on the subject of bioengineered produce. He writes: "Their letters didn't address the scientific or even, really, the ethical issues: They were about death! They called the biotech tomato 'Franken Tomato,' and they pleaded, 'Please don't do this, I don't want to die!'" "The letters were written all at once and they were similar," continues Adler. "I'd call that brainwashing."[4]

To treat technology in this emotional way violates our most basic expectations for our children's education. We need to give them basic tools. They need the scientific knowledge to understand environmental issues. This includes studies of botany, ecology, hydrology, entomology, and so on. Children also need to understand the basic scientific method: that scientific hypotheses must be verified by observation and experimentation. Of course, some of this information is technically beyond the understanding of younger ones, but if they aren't able to understand the science, they shouldn't be mobilized to lobby for specific policy options.

Beyond the science, children need to learn about policy processes and decision-making if they are to be thinking activists. Children need to learn about trade-offs. They need to see why, for example, consumers prefer certain types of energy, even though some people feel they are sinister or wasteful. They need to understand what we give up when we pursue one course of action over another. I've talked in terms of trade-offs to my daughters ever since they could listen. Even at their young age, they understand that if we buy a toy today, we use up money that can be used to purchase other things. The toy is not good or bad—it simply represents one way we can use our resources.

Yet that perspective is a far cry from the litany of rights and wrongs in the environment. As nearly all school children can recite: Oil is bad, hydroelectric is good. Disposable diapers are bad, cloth diapers are good. Automobiles are bad, bikes are good.

National Geographic's Wonders of Learning Kit suggests this exercise to teachers of science or language arts: "Have the children write or dictate stories about two imaginary planets, 'Trashoid 4' and 'Recyclet.' What would the planets look like? How would they be different? What would the beings who live on these planets look like? How would they live?"[5]

While students may be adept at describing the evils of planet Trashoid, few can tell you exactly why something is classified as an environmental good or bad. Children are drilled to accept, for example, that recycling is the only correct way to deal with resources. They are supposed to coerce their parents to sort paper, plastic, aluminum, and glass, and then to haul it all out to the curbside. But they are never given these facts: Each additional recycling truck rumbling through the neighborhood adds vehicle emissions to the air, consumes oil and gas, and increases noise pollution. At the recycling plants, energy is used to process the materials, and huge volumes of wastewater or other waste are typically released. One ceramic mug must be reused more than 1,000 times to consume *less* energy per use

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than a polystyrene foam cup.[6] In other words, sometimes recycling is environmentally friendly; sometimes it is not.

Humans Are Evil

In *50 Simple Things Kids Can Do to Save the Earth,* kids are told, "When your parents were kids, hardly anyone ever worried about saving the environment. . . . They developed some bad habits. They made as much garbage as they wanted; they wasted energy whenever they wanted; they used up the Earth's treasures, just for fun."[7]

This treatment disparages parents; others suggest that parents are stupid. In a discussion of the ozone issue, children are told, "We don't think adults would keep on making these [CFC] gases if they realized they were harming all life on Earth."[8]

Should the environment be a wedge between parents and children? And should children be taught that people carrying out productive activities are evil?

In one preschool exercise, four-year-olds were given four pictures and asked to choose the one that does not belong. They were shown pictures of three different animals in the forest and a picture of a logger. The logger didn't belong. One father volunteered to speak about his industry to his son's fourth-grade class. Upon arrival, he found that the children were quite hostile towards him for being a logger.[9] His experience illustrates that even the anti-human movement has trends. Ten years ago, children were ashamed to say their dads worked for Hooker Chemical. Now, children feel compelled to hide the fact that their dads log trees.

On the Joys of Being a Child

The drive to create Ecokids has some other very disturbing aspects. For one thing, it has the potential of simply taking the fun out of being a kid.

For example, *50 Simple Things* takes a number of things that have traditionally been a source of joy for children and turns them into potential nightmares. "Helium balloons? Big, bouncing, bobbing . . . Oops? When helium balloons are released, they are often blown by strong winds into the ocean. Even if the sea is hundreds of miles away, balloons can still land there. Sometimes sea creatures think balloons are food and eat them. Sea turtles, for example, eat jellyfish—which look and wiggle just like clear balloons. If a turtle makes a mistake and eats a balloon, the balloon can block its stomach. So the turtle can starve to death."[10]

Similarly, it tells children, "most crayons are made from oil. Since oil comes from prehistoric creatures, you might be coloring with the last remains of a Tyrannosaurus Rex!" or "Have you ever made pictures with markers? Some have chemicals with names like 'toluene' and 'ethanol' in them. Creating these chemicals makes pollution and uses oil."

Even toys don't escape the wrath of environmental education. "Toys just don't come from toy stores. They come from materials taken out of the Earth. So if they break right away, and you have to buy new ones to replace them, you're not only creating a lot of extra garbage, you're using up the treasures of the Earth."

While environmental special interests may view these stories as their successes, others see failure. Are we, as William Bennett asks in his broader statement on the declining moral, spiritual, and aesthetic character and habits of society, guilty of the chronic crime against children: the crime of making them prematurely "old" before their time? "We live in a culture which at times seems almost dedicated to the corruption of the young, to assuring the loss of their innocence before their time."[11]

Isn't this exactly what we are doing by burdening children with the fright of environmental catastrophes caused by humans? Vice President Al Gore, writing about ozone, says: "We have to tell our children that they must redefine their relationship to the sky, and they must begin to think of the sky as a threatening part of their environment."[12] It certainly seems as if we are dedicated to assuring the loss of their inno-

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cence before their time. How else can we explain comment after comment from the mouths of our children that express nothing less than fear of dying and guilt of living?

Consider some of the now-famous quotes by several eco-heroes:

Melissa Poe, age nine: "Mr. President, if you ignore this letter we will all die of pollution and the ozone layer" (from *Newsweek* "Just for Kids!?!").

Catherine Mitchell: "Our Earth is getting hotter every minute and the only way we can stop it is to stop burning styrofoam. I'm also too young to die, might I add, so *stop burning the Earth!*" (from the FACE newsletter).

Jesse Hornstein, age 10: "No gases! No air pollution! It's *life* or *death*" (from *50 Simple Things*).

Adam Adler, age 11: "I think global warming and the greenhouse effect are very bad! What do we want the earth to become, a flaming ball?" (from *50 Simple Things*).

Fortunately, some educators are having second thoughts about what is happening. In the fall of 1992, Nebraska school teacher Joann Wilson developed an environmental exchange program between classrooms. Using KIDFORUM, a discussion group on Internet's KIDLINK, Wilson and KIDFORUM Coordinator Laura Stefansdottir of Iceland developed "Environment-2093." Students were asked to write short science fiction articles, projecting themselves one hundred years into the future. What would that environment look like?

Almost half the students created doomsday scenarios. Seeing the hopelessness and futility expressed in these tales, Wilson and Stefansdottir were led to examine their part in robbing kids of the youthful idealism we typically associate with "being a kid." These educators and many they have come into contact with are now examining ways to offer positive, creative, and responsible solutions to global concerns. How many others have the courage and foresight to do the same?

Similarly, an article in *Audubon* magazine suggests that children shouldn't be taught that "the sky is falling."[13] Like me, the author was moved to a new reality by the words of her daughter. As the six-year-old child settled down in her old-fashioned maple bed, newly handed down by her aunt, she said, "I love my new bed, but . . . it's made of wood. They killed trees to make my bed." To the child, the reality is that a living thing, perhaps one with feeling, was killed for her creature comfort.

In a nutshell, educators have embraced environmentalism to its extreme, fully accepting the anti-human, anti-technology, and anti-economic growth positions. Children are taught what to think and not *how* to think about environmental questions. In a society where we are no longer free to teach traditional values in the school systems, it's unsettling to find new values in the classroom. The widespread teaching of environmental values, based upon politically correct propaganda, is rampant. Those of us who are concerned about individual liberty, freedom of choice, individual responsibility, and property rights, should pay attention to environmental education. □

1. *The UNESCO Courier*, December 1992, p. 25.
2. See, for example, Warren Brookes, "Salmon & Spillionaires," *The Washington Times*, August 29, 1990.
3. Dean Hurd et al., "Science Gazette: Tomorrow's Climate: The Heat's On," in *General Science: A Voyage of Exploration* (Prentice Hall 1992, Third edition), p. 401.
4. Patricia Poore, "Enviro Education: Is It Science, Civics—or Propaganda?" *Garbage*, April/May, 1993, p. 30.
5. National Geographic Society, Washington, D.C., "Wonders of Learning Kit—Primary Level," 1992.
6. Martin B. Hocking, "Disposable Cups Have Eco Merit," *Nature*, May 12, 1994, p. 107.
7. EarthWorks Group, *50 Simple Things Kids Can Do to Save the Earth* (Kansas City: Andrews and McMeel, 1992), p. 124.
8. EarthWorks Group, p. 59.
9. I'm thankful to William Perry Pendley, president of the Mountain States Legal Foundation in Denver, Colorado, for sharing his children's experiences with me.
10. EarthWorks Group, p. 35. Subsequent quotations are from pages 33 and 24.
11. William J. Bennett, "Getting Used to Decadence: The Spirit of Democracy in Modern America," Heritage Lectures, No. 477, Heritage Foundation, Washington, D.C., December 1993.
12. Ron Bailey, "The Hole Story," *Reason*, June 1992, p. 26.
13. Nancy Bray Cardozo, "Reading, Writing & Ruin," *Audubon*, January-February 1994.

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THE FREEMAN
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The Role of Rights

by Roger E. Meiners

The modern environmental movement was launched in the early 1960s. Rachel Carson's 1962 book, *Silent Spring*, triggered fears of chemicals. Concern about dirty air was heightened by a London smog disaster that same year and several noteworthy pollution incidents in the United States. Such events increased awareness among the public, elected representatives, and the media of the potential for damaging our surroundings. These forces helped lead to the passage of a host of major federal laws, culminating in the Clean Air Act of 1970 and the Clean Water Act of 1972. These and other federal environmental statutes began to erode traditional private property rights in favor of central government control of property.

People began to think it normal for the government to issue permits to allow the operation of plants and factories. At the same time, Americans also began to abandon their traditional rights to stop pollution nuisances through the courts; this responsibility, too, was largely given over to government regulators. Within ten years there was a regime shift in favor of federal control of environmental matters.

To many people at the time, environmental statutes seemed necessary to correct the problem that economists call "externalities," or costs imposed on others in society, such as using the air and water as free goods. It was not until the late 1980s, when government regulations on wetlands and endangered species began to prevent people from using their property in what seemed to them clearly harmless ways, that the real consequence of federal environmental regulation became obvious.

The result now is substantial restriction on the use of private property. To preserve species such as the red-cockaded woodpecker, for example, many owners of small woodlots cannot log their land. Others cannot plow their land because plowing may endanger the Stephens kangaroo rat. Some are prevented from building homes on their land because it is suddenly declared a wetland, even though it may be dry most of the year. Thus, major attributes of private property have been taken from private property owners and placed under federal regulation.

In response, hundreds of grassroots groups have arisen spontaneously around the country to form the property rights movement, as property owners have come to confront, often for the first time, the effects of direct restrictions on the use of their property. Politicians, sensing the strength of this movement, are proposing that the government compensate property owners for takings that substantially reduce the value of property. Fearing such amendments, supporters of environmental laws that restrict property rights kept numerous environmental laws off the legislative agenda of the 103rd Congress. In their view, it was better to have no new law than one that reduced the impact of laws already on the books. This was a major reason why Congress failed to reauthorize such envi-

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ronmental laws as Superfund, the Clean Water Act, and the Endangered Species Act.

The Common Law Tradition

Forgotten in the move to central environmental control was the fact that the enforcement of rights, including property rights, by citizens and communities in the past provided environmental protection without federal interference. Environmental protection occurred through the application of various parts of the common law to violations of personal rights.

Common law (also called private law) refers to the body of rules that guide judges' decisions in disputes. In particular, the common law regarding nuisance, trespass, and riparian water rights gave citizens and communities a sound basis to sue polluters who imposed damage on persons or property. While common law dealt with disputes between individuals and did not deal directly with pollution that affected everyone equally, such as automobile pollution in Los Angeles, the record of common law cases indicates that individuals and communities protected their rights to healthy air, clean water, and unpolluted land. The environmental horror stories of the past few decades ignore the fact that air quality improved more during the 1960s, before the Clean Air Act of 1970, than it did in the 1970s.[1]

The common law has never been perfect. However, it plays a key role in promoting responsible behavior and allows citizens to decide for themselves if they want to enforce their rights. The common law of torts, contracts, and property provides the key legal framework for the free market system. Individuals decide what actions they will take. Other persons injured by their actions have recourse to private litigation when their protected rights have been violated.

Yes, every day there are cases that make little sense. But occasional mistakes by thousands of independent judges are subject to review by courts of appeal, and legal rules, if mistaken, can be countered in other jurisdictions. As a result, decisions are much more likely to be correct, and less devastating in impact when wrong, than are decisions by congressional mandates and regulatory standards. The common law, like markets, evolves to take advantage of new knowledge, technology, and the desires of consumers.

In a way similar to the effects of strict liability imposed on producers of defective products, the common law used to (and occasionally still does) impose tough standards against polluters who inflicted harm on others.[2] In contrast, environmental laws and regulations tend to establish technological standards, often at the behest of special interests. They are implemented by officials who want central control, and are almost inevitably outmoded by changing technology.

We do not know what the common law rules regarding pollution would be today if common law protections had not been cut short by statutory intervention. But as occurred before regulatory controls, we could expect to see a relatively stable set of rules that adjust to take into account new scientific evidence about the effects of pollution. In contrast, the legislative process is never clear, since it involves constant pleading before Congress and regulators to modify the rules again and again, often with no rational relationship to the risk of harm from pollution.

Erosion of Rights

The erosion of our traditional rights, including the right to use our property as we wish, as long as we don't harm others, is a fundamental loss. It is a modern myth that our rights were created by the Constitution (the "supreme law of the land"); the writers of the Constitution presumed *inalienable rights* held by virtue of being free persons. As a great British legal scholar, A.V. Dicey, said over a century ago, "Personal freedom does not really depend upon or originate in any general proposition contained in any written document."[3]

Much of American law is English in origin. When the nation was founded, much

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English law, especially the common law and the rights and duties it provides for all citizens, was incorporated into the new legal regime that includes the federal Constitution. The Constitution created the basic framework of government, expressly limited the powers of government, and provided express safeguards against invasions of certain rights. But the Constitution did not *grant* us all rights we have as citizens.

We are presumed to have a host of rights, often called *natural law*. Some natural law is expressed through the common law; but the elements of natural law were presumed to be understood by the judiciary. Thus a modern constitutional scholar, Bernard Siegan, points out that the framers of the Constitution "believed that liberty and personal security are the ultimate purposes of society; they favored limited government and dispersal of power, feared the tyranny of political majorities. . . . They subscribed to the belief that individuals have fundamental and inalienable rights with which government may not interfere."[4]

The United States is one of the few governments created by a free people who understood that they possess inalienable rights. This is unlike most governments in history, which grant some rights to their citizens; typically the state is presumed to be the source of all law.

This point has been lost in political and judicial talk about citizens having "rights" to assorted public benefits, such as a "right" to subsidized medical care or a "right" to Social Security. The use of the word right in such contexts has confused public understanding of what rights are. No doubt the legislature has the power to collect taxes to spend on things such as medical care and Social Security, but to presume that the "right" to receive benefits granted by the legislature is similar to the inalienable rights understood by the framers of the Constitution is a perversion of the basis of liberty. The rights that make us a free people are *natural rights;* they are not granted by a legislature created by a free people.

That is why the modern debate over the preservation of property rights is a key issue. If traditional property rights are lost in favor of legislated control of property, a major cornerstone of all liberty has been lost. We come closer to being like most peoples in the world—granted certain favors (called "rights") at the pleasure of the legislature, but having few rights that may not be invaded by the legislature and the agencies it creates to execute its wishes. The property rights grassroots movement reflects a common-sense understanding that the natural rights we have by virtue of living in the United States are being seriously eroded in favor of state control and that it is time to resist that erosion. □

1. See Paul Portney, *Public Policies for Environmental Protection* (Washington, D.C.: Resources for the Future, 1990), p. 51. See also Robert W. Crandall, *Controlling Industrial Air Pollution: The Economics and Politics of Clean Air* (Washington, D.C.: The Brookings Institution, 1983), p. 19.

2. See, for example, Roger E. Meiners and Bruce Yandle, "Clean Water Legislation: Reauthorize or Repeal?" in *Taking the Environment Seriously*, edited by Roger E. Meiners and Bruce Yandle (Lanham, Md.: Rowman and Littlefield, 1993), pp. 73–101.

3. A. V. Dicey, *The Law of the Constitution* (Indianapolis: Liberty Press, 1982; first edition, 1885), p. 123.

4. Bernard Siegan, *Economic Liberties and the Constitution* (Chicago: University of Chicago Press, 1980), p. 12.

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IDEAS ON LIBERTY

The War on Radon: Few Join Up

by Kent Jeffreys

Radon is a colorless, odorless gas that is present in varying quantities across almost all land environments. It is a natural by-product of the radioactive breakdown of uranium in the earth's crust. As radon seeps through cracks and fissures it can accumulate in groundwater and even in the lower levels of man-made structures. Its potential presence in people's homes has brought radon to the attention of the U.S. Environmental Protection Agency (EPA).

The EPA has decided that radon is the number one environmental health risk in America: worse than pesticides and worse than hazardous waste. The EPA bases its conclusion on its estimates of possible deaths, about 14,000 per year, that may be caused by radon.

Judging from the panic caused by environmental scares such as Alar on apples and chemicals from hazardous waste sites, one might expect the nation's "number one risk" to incite near hysteria. Yet radon has failed to instill widespread fear in the public mind. In fact, radon appears to be fading as a general concern, at least outside environmental bureaucracies. If radon is truly our biggest threat, why haven't people panicked?

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Radon has several attributes that would appear to make it ideal for arousing fear.

1. Radon can cause lung cancer. For decades, environmentalists have successfully used fear of cancer to drive the policy debate. At extremely high levels, radon has been associated with an increased risk of lung cancer among uranium miners. Thus, radon resembles other high-dose potential carcinogens.

2. Radon is radioactive. Since the dropping of the first atomic bomb, radioactivity has been the stuff of science fiction, little understood but greatly feared.

3. Radon is ubiquitous. Since radon is found everywhere, it can accumulate in almost any home, potentially justifying a massive regulatory response.

Despite these characteristics, radon fails to rank high on the public's list of fears. This lack of concern seems to derive from several factors.

1. Radon is natural. Radon is not a by-product of industrial or consumer activities. Because there is no one to "blame," it has been difficult to inflame the passions of the public. Even outdoor air has some amount of radon in it.

2. There is no subsidy for responding to radon risks. In almost every case, the property owner must pay to reduce radon risks. There are no subsidies that allow people to give full rein to fears without bearing the consequences. Although millions of homes

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and buildings have been tested and even "remediated" for radon, these actions were largely stimulated by a desire to protect property values rather than human life. In fact, many jurisdictions have mandated radon testing and/or remediation as a precondition of home sales. Remediation can cost from several hundred to several thousand dollars for the average home.

3. Radon "victims" are smokers. Almost all of the EPA's estimated "radon-induced" lung cancers are assumed to occur in current or former smokers. Despite the well-documented relationship of smoking to lung cancer, the EPA puts the blame on radon.

Why the EPA Goes After Radon

As with so many environmental risks, at extremely high exposure levels radon can be harmful. Much of the scientific basis for this statement comes from studies of uranium miners. Since the average home does not closely resemble a mine shaft, caution is appropriate in extrapolating from high to low doses. But the EPA assumes the risk continues down to the level of a single atom—the ultimate in low dosage. In other words, the EPA says that there is no perfectly safe radon exposure level.

Of course, there is no perfectly safe way to chew food or drive a car. Life is filled with risks, and individuals must establish some sort of response priorities or become paralyzed by even tiny risks.

It is difficult to identify which factors have most influenced the public's non-responsiveness. The fact that radon is natural is a partial explanation, since many "natural" risks are downplayed. For example, there is little or no concern over the natural pesticides in our food supply, which are present (in up to 10,000 times the quantity of man-made pesticides) in the average diet.

However, the visibility of the cost of response is also important. Lightning is natural, for example, but everyone fears it. Since the cost of avoidance is quite small, most people respond by staying inside during thunderstorms. Costs may affect how people respond to synthetic pesticide residues as well. People express more fear about these pesticides than they do about natural pesticides. By and large, however, they aren't willing to avoid them by buying organic foods, which are more expensive and sometimes of lower aesthetic quality.

Other direct comparisons between public acceptance of or opposition to regulations can be made. For example, many people want to see local hazardous waste sites cleaned up; the cost is borne by others. In contrast, asbestos removal from schools imposes high direct costs on communities, and it is resisted. In these cases, the relative risks seem less important than who bears the cost.

The EPA's war on radon has not abated; it has only been ignored. Nevertheless, the EPA keeps trying. It has issued warnings for drinking water, schools and other public buildings, and private homes. It established a "Radon Partners" program through which it distributes grants to groups that promote radon "awareness." The EPA continues to promote short-term radon testing procedures, despite the fact that they are not very accurate or reliable.

For many potential environmental risks, the EPA behaves like a supporter of UFO theories. It's as if the EPA claimed that since there is no conclusive proof that UFOs do *not* exist, we should assume that they do! Yet in science, it can never be conclusively demonstrated that anything is impossible—even the laws of gravity could be subject to some unknown time limit and expire tomorrow. It is unscientific to present data that only support your position without adequately accounting for data that contradict your findings. Sadly, like UFO sightings, EPA cancer scares are likely to continue no matter how many times the conclusions are called into question or refuted. □

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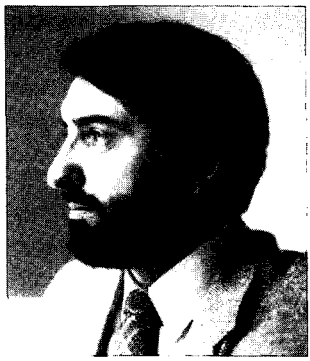

Cultural Pollution

The welfare state's destructive impacts on our economic well-being have been well chronicled by free market economists. But the inverted incentives of socialism also play havoc with the moral character of a society. All of the virtues associated with living a productive life are punished; all the vices associated with an irresponsible existence, rewarded.

The result is cultural pollution.

Market economists have long argued that environmental pollution is caused not by capitalism, but by the absence of property rights and market mechanisms. Similarly, cultural pollution is not caused by capitalism; to a large extent, it is caused by the breakdown of capitalism and the absence of markets. The discipline that comes from market relationships preserves such precious cultural resources as personal character, benevolence, and basic civility. But the welfare state has destroyed that discipline.

Those under age 30 probably can't remember a time when radio and TV stations refused to air gutter-minded "shock jocks"—or sewer-mouthed cartoon characters—or nihilistic music videos—or freak shows masquerading as "talk programs," where guests compete in revolting displays of decadence and self-abasement.

There actually was a time in this nation's not-so-distant past when most kids wouldn't use foul language around the opposite sex (not to mention *at* adults), and when those few who did would get their faces slapped. A time when no one would have dared ask the President of the United States what kind of underwear he wore . . . and when no President would have dignified such a question with an answer.

It was a time when students referred to teachers by their surnames, teachers refused to pass kids who hadn't met minimum standards of achievement, high school graduates could read job applications, and schools issued students more books than condoms. A time when unmarried girls actually felt ashamed to get pregnant—even once—and when unemployed young men actually felt ashamed to apply for welfare. When derelicts didn't use the sidewalks, nor celebrities the airwaves, as public latrines.

During the past four decades, standards of personal taste, language, behavior, dress, and manners have plunged to loathsome levels. Today, we are awash in a cultural tsunami of vulgarity and incivility. From the street corner to the school classroom, from the movies to MTV, belligerent faces stare back at us in defiant challenge to all that is decent and good, virtuous and valuable—even simply coherent and intelligible.

What is most odious is the fact that the expressions of decadence are so incongruously militant. We behold, daily and in countless forms, bizarre spectacles of self-righteous relativism and crusading nihilism. We are simultaneously revolted and incredulous and bewildered, wondering from what

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Criminal Justice? The Legal System Versus Individual Responsibility, *edited by Mr. Bidinotto and published by FEE, is available at $29.95 in cloth and $19.95 in paperback.*

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buried cesspool of our national life such pollution has oozed forth.

It would be simplistic to lay blame for this cultural collapse solely at the feet of politics or economics. Ideas rule the world, for better or worse; the militancy of today's nihilists is largely the product of many decades of intellectual corruption. The concerted, ceaseless assault by generations of academics upon the standards, heroes, values, and philosophical premises of Western civilization have undermined our culture's foundations and battered its institutions. The barbarians we see around us have been unleashed and empowered by modern intellectuals who—like carriers of some deadly spiritual virus—have sapped our society of its once-vital defenses and immunities.

But to have a broad social impact, ideas good or bad must be transported from the ivory tower into every corner of society. They must be embodied in cultural institutions and transmitted by political programs. So while intellectuals may have opened the faucets, the main pipeline for carrying cultural pollution throughout society has been the welfare state.

The corrupting influences of the welfare state go far beyond the obvious. It isn't just that the National Endowment for the Arts occasionally subsidizes obscenity, or that billions of dollars in food stamps and Supplemental Security Income (SSI) checks are being cashed in and traded on the streets for drugs and alcohol. It isn't just that AFDC encourages unwed young women to have children, then remain unwed. It isn't just that unearned benefits encourage some people to remain shiftless and lazy.

More broadly, the welfare state also buffers people from any need to behave like civilized human beings.

One of the seldom-recognized benefits of the market system is its great *civilizing* influence. Socialists often denounce capitalism for promoting "competition, not cooperation." But in fact, the competitive demands of the marketplace *reward* cooperation and *punish* anti-social conduct.

To survive and thrive under laissez-faire capitalism, the individual must learn to produce goods and services valuable to his fellow man. Failing to do so dooms him to a miserable and marginal existence.

But becoming productive entails much more than simply learning a skill or creating a product. Whether employee, employer, or self-employed, each individual in a free market must also learn to *market* himself, his service, or his product. This, in turn, compels him to present himself and his wares in the best light possible, attracting rather than repelling others. Those who learn to cooperate with others will be rewarded by their fellows and flourish; those who don't will remain unmarketable and go wanting.

The welfare state short-circuits this learning and maturation process by buffering people from any need to behave themselves. In the marketplace a foul-mouthed boor will be fired from his job. In the welfare state, nothing he says to anyone will stop his government checks from coming. In the marketplace, an ignorant, illiterate, incoherent young woman has few prospects of getting a job. In the welfare state, she can remain just as she is—and the checks will keep on coming. In the marketplace, hanging out as a street-corner tough all day is a short route to homelessness and starvation. In the welfare state, though, such a lout can go home to a public housing project, his rent and food paid for by the same pedestrians he has spent the day menacing and insulting—and then, perhaps, spend his wee hours in a federally-funded midnight basketball league.

By buffering such offensive behavior from the normal punishments that the marketplace would surely administer, the welfare state has allowed and encouraged the proliferation of a nihilistic subculture. This subculture, in turn, has become its own growing market, with an insatiable demand for the lurid and depraved, fed by unscrupulous panderers in the media, entertainment, and corporate America.

A first step in restoring the quality of our social environment, then, would be to plug the poisonous pipeline of the welfare state. □

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THE FREEMAN
IDEAS ON LIBERTY

Making the Polluter Pay

by Jonathan H. Adler

The experience of the past few decades indicates that "pollution control" is often a pretext by which the federal government regulates the minutiae of each and every industrial process and economic transaction. Much of this so-called pollution control is done in the name of the "polluter pays" principle. This principle, which is intuitively sensible, was trumpeted by early environmentalists as a means to discourage environmental harms.[1]

The "polluter pays" rhetoric is still often used, and most Americans probably think that current environmental policies make polluters pay. In truth, however, this approach is seldom embodied in American environmental laws.

Rarely are particular polluters forced to pay for actual damage caused. For example, when Congress enacted Superfund, the federal program to clean up hazardous waste, "polluter pays" was used to justify generic taxes on producers of materials (chemicals and oil) that ended up in waste dumps. Even if companies had acted responsibly—even if none of their materials or products ended up at waste sites—and they had caused no damage, they had to pay the tax if they happened to produce certain materials. Superfund is a policy under which polluters and nonpolluters alike are forced to pay exorbitant sums.

The polluter pays principle is valid, but it needs to be better understood and, ultimately, to be reinstated under institutional arrangements that make it effective and fair. To begin with, one must recognize that emissions per se are not pollution. Pollution is the imposition of a harmful waste product or emission onto the person or property of another without that person's consent; it is a "trespass" under the principles of common law. If the trespass is so minor that it creates no impact or inconvenience for the property owner, it will normally be tolerated. Otherwise, it will likely result in legal action of some kind.

The generation of a waste, in and of itself, does not necessarily harm other people or their property. Not every emission, waste, discharge, or industrial by-product is pollution. Thus there is no reason for government policy to discourage waste per se. Yet environmental regulators are eager to adopt "pollution prevention," "waste reduction," and "toxics-use reduction" schemes. Such programs completely miss the point. They tend to move away from any true concern for limiting pollution, and from holding polluters accountable for the damages that they cause.

Current environmental policy rarely focuses on harm. Indeed, sometimes it doesn't even focus on pollution at all! Much of the time the emphasis is on compliance with byzantine rules and requirements. Fines are levied not when the property of another is contaminated, but when a permit is improperly filed, or a waste-transport manifest is not completed in line with the demands of regulatory officials. The Environmental Protection Agency itself has observed that under current law "a regulated hazardous

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waste handler must do hundreds of things correctly to fully comply with the regulations, yet doing only one thing wrong makes the handler a violator."[2] Environmental rules are now so complex that only 30 percent of corporate counsels believe that full compliance with environmental laws is actually possible, according to a survey conducted by the *National Law Journal*.[3]

The Exxon *Valdez* Case

Even when harm occurs as a result of pollution, the "polluter pays" principle is routinely violated. Consider the case of the Exxon *Valdez*. In 1989, an oil tanker ran aground because its captain was drunk, and over 300,000 barrels of crude poured into the water of Prince William Sound, causing significant, though not permanent, environmental disruption. Few people are aware that the crime for which Exxon was punished was killing migratory birds without a permit. Extensive shorelines were covered in oil, and the government prosecuted Exxon for not having permission to go hunting!

Exxon was subject to civil suits from those, such as local fishermen, who claimed damage from the spill. However, much of the money that Exxon was forced to pay did not go to alleged victims of the spill. Exxon paid $125 million in fines to the federal government and the state of Alaska. In addition, Exxon was forced to pay $900 million into a fund to be doled out by government officials for environmental projects, habitat protection, and scientific research, among other things.[4] In May 1994, $38.7 million of this money was used to create a new state park.[5]

Exxon was under tremendous political pressure to restore the "public" shoreline so it engaged in a costly, and extensive, cleanup operation. Much of the cleanup was unnecessary—nature has its own methods of cleaning up spills of natural substances like oil—and in some cases the extensive beach cleaning actually caused harm. So, not only was Exxon prosecuted on generic offenses against "public" goods rather than for specific harms to specific parties, but the politicization of the spill resulted in a thoughtless policy response. Had a similar spill occurred in a more private setting—if, for example, a tanker truck had overturned, spilling onto private properties—the owners of the affected properties would have had clear, direct recourse. Additionally, they would have had a tangible incentive to ensure that any cleanup or remediation was a proper way to address the problem at hand.

There was no means for affected citizens to hold Exxon directly responsible for much of the actual damage caused to the Alaskan shoreline. The Alaskan coast had no private owners, stewards, or protectors who could seek redress or ensure that cleanup dollars were well spent, as they could if that oil had spilled into someone's backyard. The only direct payments made by Exxon to those actually harmed were to fishermen and Alaska natives who claimed damages from a temporary decline in the salmon and seal harvest.[6]

If we truly want polluters to pay, there need to be private property owners that can defend threatened or harmed resources. Ownership of ecological resources can serve as a deterrent against causing harm against others, in the same manner that private property provides such incentives in other areas. Private ownership also provides tangible incentives for better stewardship.[7]

Polluters such as Exxon should be held responsible, not for violating a bureaucratic proscription about the hunting of birds or for having harmed some "public" resource, but because they harmed someone else's person or property, and they have no right to do that. Moreover, any restitution should be paid to those harmed, not simply to a government agency that proclaims it will spend the money in the public interest.

Making Polluters Pay

A fishing club in England, the Pride of Derby Angling Club, demonstrates how property rights can prevent stream pollu-

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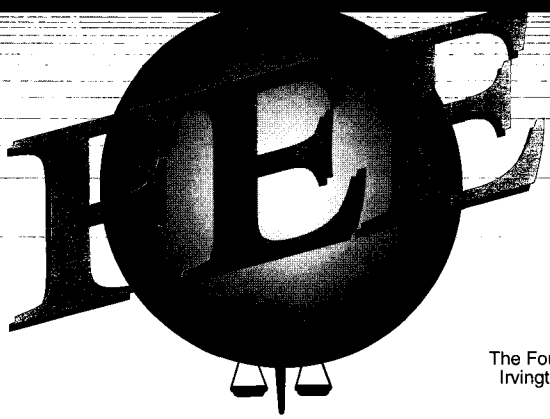

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MINIMUM WAGES

Few economic laws, if any, are more malicious and malignant than minimum wage laws. They prohibit workers from accepting employment unless they are paid at least the minimum. They order employers to use only workers who qualify for the minimum and reject all others. The laws erect a hurdle over which all American workers are forced to jump.

The employment hurdle actually is higher than the stated minimum, be it $4.25 or $5.15 an hour. It is higher by the costs of mandated fringe benefits which employers are forced to pay. There are Social Security contributions, unemployment and workmen's compensation, and paid holidays. The $4.25 minimum wage is at least a $6 an hour minimum cost. In some industries with high workmen's compensation levies, such as heavy industries and construction, the minimum cost may be $7 per hour or more. If local governments levy payroll taxes, they raise the hurdle by the same amount. Similarly, the costs of health insurance which many employers carry raise the height of the hurdle.

The only relevant minimum is the total minimum, that is, all the costs an employer must bear to secure the services of a worker. If the costs exceed his or her productive contribution, they inflict losses. It does not matter whether the losses result from a higher minimum mandate or a boost in Social Security taxes or workmen's compensation. A worker who inflicts losses on his employer is likely to be disemployed.

In the United States, minimum wage legislation does grievous harm to millions of unskilled laborers, especially among the racial and ethnic minorities — blacks, Puerto Ricans, Chicanos, Mexicans, and American Indians. About one–third of these workers are teenagers, almost one–half are twenty–five to sixty–five years old, and some 17 percent are seniors, sixty–five years old or older. Two–thirds of this unskilled labor are female. Although they comprise only ten percent of American labor, the harm done to them and society is greater by far than their numbers seem to indicate.

It is an unfortunate fact that many minority youths possess lower levels of education, training, and experience than white youths and, therefore, are less competitive in the labor market. Without the strictures of labor law, they would not be able to earn as high a wage as their more productive co–workers but would find ready employment at lower rates. If the minimum wage is set above their productive ability, they are likely to be dismissed or not hired at all. This explains why the unemployment rate of black youth in recent years has ranged between 40 percent and 50 percent, which is double the rate of white teenagers. If we add those individuals who in frustration and desperation have given up their search for employment, the unemployment rate

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among black youth, in our estimate, exceeds 60 percent.

No matter how tragic the economic effects may be on certain groups of victims, we must not overlook the psychological harm done and the moral wrong inflicted on them. Condemned to idleness and uselessness in a highly productive society, and barred from making their own contributions, many, in desperation, turn to vice and crime. The inordinate national crime rate attests to much despair in the centers of unemployment and public assistance. Moreover, let us not forget the productive members of American society who not only must forgo the valuable services which the unemployed could render, but also are forced to support them. In return, they are compelled to live in constant fear of crimes against their persons and property.

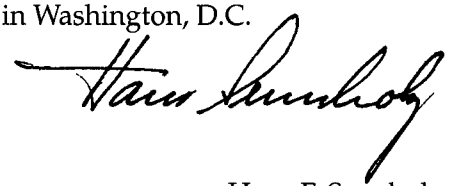
Every well–known economist has voiced his concern about minimum wage legislation, and yet, it survives sober reasoning and cogent arguments, living on in the sphere of politics. Few politicians actually believe that minimum wage legislation is truly in the workers' interest, that it increases their purchasing power and reduces poverty; and yet, many support it for political reasons. It is clever politics, yet so cruel and insincere, to promise higher wages by law, but, unable to deliver on the promise, instead raise the height of the hurdle to employment. It is politics at its worst.

The politicians are urged on by labor unions and their members who benefit significantly from legal boosts in minimum wages. Boosts obviously hurt industries using unskilled labor in competition with union labor. They may force marginal enterprises to curtail production or even shut down, which would benefit union shops. To benefit their members at the expense of nonmembers is a primary function of all unions. They call this "self–interest"; it is injury and malice to their victims.

Most of the support for minimum wage legislation comes from people who are fully aware of its unemployment effects. Many Americans in the industrial states of the North and Northeast use the law knowingly as a barrier to the industrial migration from the states to the South. Since World War II, many companies have left the North to take advantage of lower labor costs and other advantages in the South. To impede this industrial migration and to stifle Southern competition, the Northern politicians usually clamor for higher minimum wages.

Other advocates who are aware of the harm done to unskilled workers are convinced that the beneficial effects, as they see them, tend to outweigh the evil effects. Their blind faith in political action leads them to believe that evil consequences can be alleviated by new governmental efforts, such as neighborhood youth corps, job corps, public works programs, retraining programs, more aid to education, etc. To them, minimum wage legislation is a convenient path to ever bigger government and bureaucratic control.

If minimum wage legislation could actually lift wage rates and standards of living, the poverty of the world could be eradicated forthwith. The governments of Bangladesh, Sri Lanka, and Tanzania would merely have to walk in the footsteps of the U.S. government and lift wage rates by mandate. Unfortunately, what is foolish and absurd in Dhaka, Colombo, and Dar–es–Salaam is the same in Washington, D.C.



Hans F. Sennholz

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Edited by Edmund A. Opitz

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tion. In England, clubs own the right to fish along some rivers and they protect their "beats" from pollution. In 1948, several fishing club members joined to form the Anglers' Co-operative Association (ACA). The association won a major case soon thereafter, known as the Pride of Derby case. Upstream polluters were required to stop polluting, and pay damages and legal costs, since their pollution threatened the fishery. The ACA has helped fishing clubs pursue injunctions against upstream pollution ever since. To date, the ACA has been involved in over 1,500 cases, including several against municipal water authorities.[8]

This ability of private parties to restrain upstream polluters is rarely available in the United States. Historically, some communities and individuals did obtain traditional common law remedies for water pollution. However, many such actions have since been preempted by the federal Clean Water Act.[9] Under the Clean Water Act, politically preferred polluters are treated more favorably than others. Municipal polluters face cleanup goals that are often less stringent than those of industrial polluters, and their cleanup schedules are far more lenient. Yet, to the rivers and fish, pollution is pollution.

This problem of unequal treatment is compounded by the prevalence of citizen suit provisions in the Clean Water Act and other environmental laws. Although it may sound good to allow any citizen or citizen group to force the government to enforce pollution laws (and to allow the citizen or group to recoup legal costs), what it means is that special interest groups can effectively determine the enforcement priorities of government agencies. Many of the environmental organizations that engage in citizen suits have an anti-business bias. As a result, private industry is subject to more legal actions than either agricultural activities or governmental facilities, even though both of the latter are greater sources of water pollution. Indeed, between 1984 and 1988, environmentalist citizen suits against private industry were more than six times as common than suits against governmental facilities.[10] "There are no *environmental* reasons why environmental groups would display such a pronounced preference for proceeding against corporate polluters," notes Michael Greve of the Center for Individual Rights.[11]

Many environmental groups have found that citizen suits can be a lucrative source of revenue.[12] There is something profoundly unjust about limiting the legal recourse of persons harmed by polluting activities, as the politicization of pollution control has done, while at the same time encouraging the use of citizen suits by organizations with no stake in the resources they claim to be protecting.

Another example of failure to make polluters pay is the case of air pollution. It is well established that a small fraction of automobiles are responsible for the vast preponderance of auto-related emissions. Indeed, over half of all auto emissions are generated by only ten percent of the cars on the road.[13] This means that for every ten cars, the dirtiest one pollutes as much as the other nine. But federal officials insist upon imposing significant costs on the owners of all cars through "clean fuel" requirements, periodic emissions inspections, and the like, in order to meet federal air quality standards. If emission reductions are necessary in some regions to protect human health (an arguable proposition), targeting the dirtiest portion of the automobile fleet would reduce pollution more efficiently and more equitably. Indeed, if airsheds were managed privately, one would expect this sort of approach to emissions reductions.

The broad approaches (which I call "driftnet" approaches) achieve pollution reductions more through their scope than their efficiency and tend to produce environmental improvements at the expense of innocent individuals who have not contributed to environmental harm. Environmental protection and simple justice are better served when pollution reduction efforts focus on the true sources of pollution, and ensure that it is the polluters that pay for the damages caused.

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Do Pollution Taxes Work?

There is one other approach that appears to embody the "polluter pays" principle: the imposition of emission taxes. This idea is generally associated with the economist A.C. Pigou, who argued that pollution taxes would force offending industries to "internalize" the costs they were imposing on others.

But there are several problems with this approach. First, such taxes would be used to enrich government coffers, not to compensate those who were harmed by the pollution. It is one thing for the state to decide disputes and ensure that polluters make restitution to those whom they have harmed. It is another thing for the state to identify polluting activities and use pollution taxes as a source of general revenue. The former is in accord with common law principles of justice; the latter encourages the continued growth of the regulatory state.

The second problem is that the state is in no position to assess the actual costs imposed by pollution. Pollution taxes enacted through the political process are likely to reflect political priorities rather than environmental ones. The federal gasoline tax, for example, is often defended as a "polluter pays" approach because oil exploration, refining, and use all have environmental impacts. However, a tax on gasoline is a poor proxy for taxing environmental impacts—the same gallon of gasoline will produce different levels of emissions in different vehicles. And special-interest pleading ensures that certain types of fuels and fuel additives receive special exemptions from the tax.

In fact, pollution tax schemes almost inevitably rely upon some proxy for pollution that can be taxed. It is far easier to levy a tax on an easily measurable factor, such as use of a resource or aggregate emissions, than it is to try and measure the impact on people—yet it is the impact on people and the environments that they are concerned about that should matter. Using tax mechanisms in place of common law principles, no matter how well intentioned the policy, is a "polluter pays" approach that is destined to fail.

In sum, making the polluter pay should not entail trying to eliminate the generation of wastes and other by-products of a modern industrial society. Nor does it mean regulating every emission, every industrial process, indeed every aspect of economic life. It means focusing environmental protection efforts on the greatest sources of harm and ensuring that polluters pay for the costs of the harms they inflict upon others. This goal can be best accomplished through a decentralization of environmental policy and a greater reliance upon common law remedies. Central government dictates are not up to the task. □

1. See, for example, Sydney Howe, "Making the Polluters Pay," *The Washington Post*, January 30, 1977, C8.
2. U.S. Environmental Protection Agency, *The Nation's Hazardous Waste Management Program at a Crossroads: The RCRA Implementation Study* (Washington, D.C.: U.S. EPA, July 1990), p. 36.
3. Figure cited in Marianne Lavelle, "Environmental Vise: Law, Compliance," *National Law Journal*, August 30, 1993, p. S1.
4. Jeff Berliner, "Exxon Pleads Guilty, Judge Accepts $1 Billion Settlement," United Press International, October 8, 1991.
5. "Oil Spill Money Creates New Alaska Park," Associated Press, May 27, 1994.
6. However, it should be noted that the jury awards to the fisherman were more likely the product of outrage over the spill than actual demonstrated damage (see Jeff Wheelwright, "Exxon Was Right, Alas," *The New York Times*, July 31, 1994, p. 15). This is another product of focusing on "public" harms rather than harms inflicted on particular parties.
7. This point is elaborated upon in Robert J. Smith, "Resolving the Tragedy of the Commons by Creating Private Property Rights in Wildlife," *Cato Journal*, Fall 1981, pp. 439–468.
8. This history is recounted in Kent Jeffreys, *Who Should Own the Ocean?* (Washington, D.C.: Competitive Enterprise Institute, Fall 1991), pp. 17–18.
9. See Roger E. Meiners and Bruce Yandle, "Clean Water Legislation: Reauthorize or Repeal?" in *Taking the Environment Seriously*, Meiners and Yandle, eds. (Lanham, Md.: Rowman and Littlefield, 1993), pp. 88–94.
10. Michael Greve, "Private Enforcement, Private Rewards," in *Environmental Politics: Public Costs, Private Rewards*, M. Greve and F. Smith, eds. (New York: Praeger, 1992), p. 111.
11. *Ibid.*
12. *Ibid.*, pp. 109–110.
13. J.G. Calvert, et al., "Achieving Acceptable Air Quality: Some Reflections on Controlling Vehicle Emissions," *Science*, July 2, 1993, p. 40; and, Donald Stedman, et al., *On-Road Remote Sensing of CO and HC Emissions in California*, Final Report Contract No. A032-093 (Sacramento: California Air Resources Board, February 1994), p. 13.

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Why Governments Can't Handle Risk

by Randy T. Simmons

Public opinion surveys indicate that mainstream America is worried about environmental risks.[1] In 1990, for the first time since pollsters began asking the questions, a plurality (46 percent) of American voters believed that the quality of life where they live was worse than it was five years previous, and the number who were pessimistic about the future of the environment (46 percent) exceeded the number who were optimistic (32 percent).

These surveys, reported in *The Polling Report,* also indicate that Americans expect government to resolve these anxieties. In 1982, one-third of Americans wanted more government regulation of the environment. By 1990, two-thirds wanted more. In 1982, 45 percent agreed with the statement that the environment was so important that requirements and standards could not be too high. In 1990, 80 percent agreed. People apparently remain confident of government's ability to protect them against risk.

But the truth is that the government is spectacularly ill-suited to anticipate future harms. There are a number of reasons.

First, most of the potential harms we face are low-probability future events about which no one can know very much. By putting protection against these events into the hands of a central authority, almost inevitably a single approach to the harm will be taken. Given such uncertainty, any policy of anticipation is likely to be the wrong one.

The problem with leaving prediction in the hands of a central authority is illustrated by the government's mineral assessment process (even though geology is a more certain science than assessing risks in an uncertain future). For each proposed wilderness area, the Bureau of Land Management, the Bureau of Mines, and the Geological Survey conduct mineral assessments to determine the potential for finding mineral deposits, based on existing geological theory. The agencies produce probabilistic estimates of mineral potential.

But scientists do not regard these estimates as specific, quantitative data. Even for the areas that appear to offer little mineral promise, a negative assessment report is not absolute. The vast oil and gas deposits in the Overthrust Belt were unknown only a few decades ago; several exploration companies had failed to find anything. But someone with a new geological theory applied a slightly different technology in a previously dry hole and discovered the reserves.

If we didn't have a variety of people making different assessments—if, instead, everyone relied on the government's assessments—the oil might never have been found. Such uncertainties prompted Wil-

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liam A. Vogely, head of the Department of Mineral Economics at Pennsylvania State University, to observe, "Their [resource assessment] results are so imprecise that a policy based on them may be worse than a policy that recognizes our complete ignorance of potential reserves."[2] The same can be said for government policies anticipating environmental risks.

A second reason for government's inability to be our protector against future harms is that initial risks must be taken in order to reduce future harms. Only in rare areas, such as national defense, are politicians willing to tell their constituents they must suffer in order for future benefits to happen. Congress is currently incapable of controlling budget deficits in large part because legislators fear causing their constituents immediate, visible harm.

A telling example comes from the Clean Air Act amendments of 1977, which were designed to reduce sulfur dioxide from power plants and other sources. An effective approach would have been to mandate the amount of emissions of sulfur dioxide that would be allowed, and let the power plants choose the best means of reaching them. But that concept ran into political trouble. It would have allowed power plants to meet the standards by buying low-sulfur coal from the west and would have eliminated jobs in eastern coal fields, which produce high-sulfur coal.

To protect jobs, Congress mandated that scrubbers be installed in all new construction, regardless of the sulfur content of the coal. But scrubbers are less effective than coal switching, and companies kept using their old plants to avoid the costs of the scrubbers. Serving constituents was placed ahead of the environment. The result was probably dirtier air.[3] While this case is dramatic and documented more extensively than most, politics frequently overrides environmental goals.

A third reason that governments are not suited for protecting against risk is that they have trouble carrying out the time- and place-specific experiments and trials that develop the ability to deal with surprises. Whether overseeing grazing, timber harvest, air quality, or water policy, governments are not able to discriminate by location or conditions. One size fits all.

Former EPA administrator William Ruckelshaus has pointed out that the Clean Air Act requires the Environmental Protection Agency to impose costly automobile inspection and maintenance programs in communities where certain pollution criteria have been exceeded only twice in a year. This rule applies even if the violations occurred because of the placement of the air-quality monitoring devices, not because the air was discernibly unhealthy. "The law does not allow the federal government to distinguish between (for example) Los Angeles and Spokane, Washington, in this regard—a restriction that defies common sense," says Ruckelshaus. "In the same way, we cannot distinguish between a plant discharging pollutants into a highly stressed river in Connecticut and one discharging into Alaskan waters that bear no other pollutant burden. In other words, the law does not permit us to act sensibly."[4]

A fourth reason for government's inability to anticipate errors and prevent them is that for such anticipation to work, it must be possible to make mistakes and learn from them. Private entrepreneurs receive feedback about their successes and failures through profit and loss information. But politicians' and bureaucrats' success does not depend on learning from mistakes. Instead, it depends on increasing budgets, responding to organized interests, and maximizing votes. Bureaucrats are insulated from the effects of their good and bad choices—someone else benefits or loses. Politicians are rewarded by voting for policies popular with their constituents, even if the policies' cost to the nation are greater than the benefits to their constituents. These are hardly strategies for developing the ability to anticipate harm or to be resilient in the face of it.

Fifth, the public is ill-informed and easily excited about new risks. Its hysteria can cause public agencies and politicians to act in exceedingly harmful fashion, essentially

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through witch hunts. As the article by Robert Nelson in this issue discusses in some detail, it is a situation not unlike that of the sixteenth and seventeenth centuries, when witches were blamed for many harms.[5] One reason why this hysteria was supported by the authorities was the fact that when witches were executed, their property was confiscated by the authorities. Something parallel happens today, write Richard Stroup and John Goodman. "Businesses [that are] politically 'convicted' are assessed billions of dollars in Superfund taxes and cleanup costs," they write, "and thus help to fund the agencies which prosecute them."[6]

In sum, governments are poorly suited for achieving safety because safety is a process of discovery, undertaken without being able to see the end, rather than an object that is freely available to public or private decision-makers. As Aaron Wildavsky has pointed out, markets provide a better route for achieving safety. "Markets overcome defects to enhance overall safety not because 'they' know the answer, but precisely because they don't; convinced that better bargains can always be struck, markets are based on the principle of incessant search. The more decentralized, dispersed, variegated, and, need I add, competitive markets become, the more likely it is there will be more different kinds of search and, therefore, more safety, especially against the unforeseen. . . .

"Attempting to short-circuit this competitive, evolutionary, trial and error process by wishing the end—safety—without providing the means—decentralized search—is bound to be self-defeating. Conceiving of safety without risk is like seeking love without courting the danger of rejection."[7]

The only meaningful alternative is to learn once again to rely on markets to help us cope with environmental and other risks. They sample the unknown, they have reliable feedback, and they allow trials, errors, and corrections. □

1. All poll results cited here are from *The Polling Report*, Vol. 6, No. 7 (April 9, 1990), published by The Polling Report, Inc., 509 Capitol Court NE, Suite 100, Washington, D.C. 20002.

2. William A. Vogely, "Estimation of Potential Mineral Reserves and Public Policy," *Earth and Mineral Science*, 52 (Winter, 1983), p. 15.

3. See Bruce A. Ackerman and William T. Hassler, *Clean Coal/Dirty Air or How the Clean Air Act Became a Multi-billion Dollar Bail-Out for High Sulfur Coal Producers and What Should be Done About It* (New Haven and London: Yale University Press, 1981).

4. William D. Ruckelshaus, "Risk, Science, and Democracy," *Issues in Science and Technology*, vol. 1, no. 3 (Spring, 1985), p. 33. Cited in Aaron Wildavsky, *Searching for Safety* (New Brunswick: Transaction Books, 1988), p. 224.

5. See also William C. Clark, "Witches, Floods, and Wonder Drugs: Historical Perspectives on Risk Management," in Richard C. Schwing and Walter Albers, Jr. (eds.), *Societal Risk Assessment: How Safe is Safe Enough?* (New York: Plenum Press, 1980), pp. 287–313.

6. Richard L. Stroup and John C. Goodman, "Making the World Less Safe: The Unhealthy Trend in Health Safety and Environmental Regulation," National Center for Policy Analysis (NCPA) Policy Report #137, April 1989.

7. Aaron Wildavsky, *Searching for Safety* (New Brunswick, N.J.: Transaction Books, 1988), pp. 227, 228.

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Human Health and Costly Risk Reduction

by Bruce Yandle

With the Clinton administration's misguided national health-care initiative dead, at least for now, it is time to consider an alternative. Let's improve human health by eliminating or at least sharply modifying federal rules designed to reduce risk. Does this seem paradoxical? It shouldn't.

Risk reduction is a natural substitute for health-care spending. If the incidence of cancer is reduced by proper diet and regular medical checkups, fewer people will need more costly medical treatment. Similarly, if it is cheaper to reduce the risk of respiratory illness by curtailing air pollution than by taking on the risk and later dealing with injuries and sickness, then we can bet that health-conserving actions will be taken.

But the current federal mandates for reducing risk are so ineffective that risks are not altered in many cases. In other cases, huge amounts are spent in an effort to reduce minor health risks, while larger ones go untouched. All along the burden of federal regulation continues to grow heavier.

Ineffective, costly regulation yields two unhappy outcomes. Unprotected people must still seek health care (since the risks haven't been reduced significantly). In addition, ineffective regulation wastes resources, reducing incomes. Everyone knows that lower-income people, on average, are not as healthy as people with higher incomes.

Writing in *Science* magazine, Richard Zeckhauser and W. Kip Viscusi, two respected specialists in risk analysis, said: "Society's system for managing risk to life and limb is deeply flawed. We overreact to some risks and virtually ignore others."[1] (When they refer to "society's system" for managing risk, they mean primarily the federal government's system for managing risk.) As we shall see, the federal government's risk reduction efforts are badly skewed.

A great deal of federal risk regulation involves efforts to protect against cancer by regulating or limiting carcinogens. When political proposals are made to reduce cancer risks at an apparent cost of zero to concerned citizens, regulation wins every time, no matter how costly the rules may become. But such regulations are plagued with problems.

The FDA's enforcement of the 1958 Delaney Clause is a case in point.[2] This is a federal law requiring that any cancer-causing chemical be banned from food. In 1958 there were about 12 known carcinogens, and detection capabilities were weak. Since then, the number of identified carcinogens has risen to 26 and more than 600 chemicals have been shown to cause tumors

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in rodents, which raises the Delaney presumption that the chemicals are human carcinogens.

Following orders from Congress, the FDA developed a "safe dose" procedure for regulating food carcinogens. It started with the lowest exposure level that leads to observed tumors in laboratory animals. This dose was then extrapolated to humans and divided by 100 to determine the amount that could be ingested. Eventually, the FDA developed the one-in-a-million rule. This means that a substance under review will be banned if there is evidence that using the substance in a recipe generates one additional cancer per one million exposed people.

But the annual incidence of cancer mortality for all Americans is 300,000 per one million. That is, cancer is the cause of death for 30 percent of the population. The FDA is attempting to reduce the 300,000 to 299,999. To achieve this extremely small reduction, very costly regulation is required.

In fact, research on cancer-related deaths indicates that less than one percent are related to food additives. About four percent, on average, are associated with the workplace. Pollution is estimated to cause two percent of all cancer death, on average. The largest share of cancer deaths, 35 percent, is associated with diet, and the next largest, 30 percent, with tobacco.[3]

Misdirection of Resources

A number of people have noticed that the efforts of the federal government to address risk are disproportionate to the size of the problem. For example, Keith Schneider, a national correspondent for *The New York Times*, writing in *ECO* magazine, describes the case of abandoned Western mines where immense piles of tailings contain lead, sulfur, arsenic, and cyanide. These contaminants can leach into groundwater, causing trace amounts of the pollutants to make their way into drinking water; however, experts are convinced that the risk is small. Congress has chosen to deal extensively with the tailings problem and has budgeted $10 billion to clean up the tailings piles. In contrast, the government has budgeted less than $500 million to close abandoned mines and restore land affected by mining operations. Yet unprotected mine shafts have contributed to at least 162 deaths and hundreds of injuries since the late 1970s.[4]

Whether the federal government can or should do anything about the risk of injuries from abandoned mines is a separate question; but, clearly, political factors determine how government resources are directed. Government officials are aware of this. In a widely distributed 1987 study, the EPA examined its regulatory activities and the budget allocated by Congress to each of them, and then ranked the relative riskiness of 31 areas addressed by the agency.[5] The goal was to determine how well the agency's effort to reduce risk matched the riskiness of various problem areas.

By the analysis of the EPA officials, indoor radon, indoor air pollution, non-point-source water pollution, and accidental releases of toxic materials were high risks, but little was being done by the agency to reduce them. In contrast, they viewed Superfund, hazardous waste controls, and municipal non-hazardous waste site activities as low risks, but the agency had large budgets directed to them. The EPA report concluded that "the rankings of risk . . . do not correspond closely with EPA's statutory authorities" and "the rankings of risk also do not correspond well with EPA's current program priorities."[6]

Efforts to develop a more reasonable approach to regulation have been made by U.S. presidents from Gerald Ford to Bill Clinton, without significant progress. For more than 15 years, the Office of Management and Budget (OMB) has been required to conduct reviews of newly proposed regulation to assess their cost effectiveness. A recent OMB review of 52 different costly regulations raised a number of unsettling questions. The OMB stated:

> The cost effectiveness for the regulatory actions listed varies over more than *eight*

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> *orders of magnitude*, from about $100,000 (for certain automotive safety features) to more than $5 *trillion* per premature death prevented (for treating wood preserving chemicals as hazardous wastes). [S]pending $2 million today on highway safety would save at least one life in just a few years. [T]he same amount spent regulating the cancer risks posed by wood preserving only prevents one cancer case every 2.9 million years.

Improved human health and well-being is the avowed goal of government efforts to regulate the environment, the workplace, food, automobiles, agriculture pesticides, and a multitude of other consumer products. The cost per person of all regulation is large, two-thirds that of health-care costs, which many believe to be out of control and unacceptable. Efforts to prevent harm must be considered in any overall effort to reduce health-care costs.

The historic record and understanding of regulatory politics suggest that any improvement will be difficult. To bring change requires a different set of incentives, and that requires institutional change. It is not that we are ignorant of the science, economics, and mathematics of risk reduction. What we lack are political institutions that provide incentives for intelligent people to respond logically to the forces of the market economy when attempts are made to improve human health and safety.

Two Recommendations

Two recommendations come to mind. First, all regulatory activity must be considered in the light of the effects of income on health and safety. Studies indicate that a loss in the nation's gross domestic product of $3 million to $7 million in regulatory costs yields an increase of one additional fatality.[8] Recall that EPA regulations alone now impose an estimated cost of $100 billion annually, and there are several major studies indicating that safety and health regulation has reduced the growth of worker productivity, and therefore wages, by as much as 36 percent in one decade.[9] If Congress is going to mandate a host of actions designed to increase life expectancy, then Congress should provide an annual report card to the people. Each action required by Congress should be accompanied with an analysis that accounts for the effects of lower incomes and tells us just how much life expectancy has been added. The results of all actions taken in a given year should be reported to the American people, and federal agencies that reduce life expectancies should be punished. OMB should be made the watchdog.

The second recommendation is a bit more radical. Congress should get out of the business of mandating reductions of trivial risks. We should return to common law rules that impose severe penalties on firms that inflict harm on consumers. The court system should be buttressed, not suppressed. Then, threats of costly suits and the risk of losing hard-earned business reputations would work together to reduce the cost of reducing risk and improving health. □

1. Richard J. Zeckhauser and W. K. Viscusi, "Risk Within Reason," *Science*, May 4, 1990, p. 559.
2. The discussion here is based on Lester B. Lave, *How Safe Enough? Setting Safety Goals* (St. Louis: Center for the Study of American Business, January 1990), pp. 6–13.
3. See Joseph L. Bast, Peter J. Hill, and Richard C. Rue, *Eco-Sanity* (Lanham, Md.: Madison Books, 1994), pp. 41–42, citing data from Sir Richard Doll and Richard Peto, "The Causes of Cancer: Quantitative Estimates of Avoidable Risk of Cancer in the United States Today," *Journal of the National Cancer Institute*, Vol. 66 (June 1981), p. 1256.
4. Keith Schneider, "A Policy That Set the World Standard Goes Off Track," *ECO*, June 1993, pp. 17–22, at 18.
5. U.S. Environmental Protection Agency, "Unfinished Business: A Comparative Assessment of Environmental Problems," Vol. I, *Overview*, Washington: U.S. Environmental Protection Agency, February 1987.
6. *Ibid.*, p. xix.
7. Office of Management and Budget, *Regulatory Program of The United States Government*, April 1, 1992–March 31, 1993 (Washington: Government Printing Office, 1993), pp. 10–11.
8. Ralph Keeney, "Mortality Risks Induced by Economic Expenditures," *Risk Analysis*, Vol. 10, No. 1, pp. 147–159, 1990.
9. See Gregory B. Christainsen and Robert H. Haveman, "The Reagan Administration's Regulatory Relief: A Mid-Term Assessment," in George C. Eads and Michael Fix, eds., *The Reagan Regulatory Strategy: An Assessment* (Washington: Urban Institute Press, 1984), pp. 49–80. Also see Wayne B. Gray, "The Impact of OSHA and EPA Regulation on Productivity," Working Paper No. 1405, New York: National Bureau of Economic Research, July 1984, and Wayne B. Gray and Ronald J. Shadbegian, "Environmental Regulation and Manufacturing Productivity at the Plant Level," Working Paper No. 4321 (Cambridge, Mass.: National Bureau of Economic Research, April 1993).

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Assessing the Risk Assessors

by Daniel K. Benjamin

Sed quis custodiet ipsos Custodes?
—Juvenal, *Satires*, VI, 1.347

Life is risky business. As we travel its uncertain voyage, hazards must be assessed and choices made among them. For most of recorded history, both assessment and choice have been the prerogative of the individual. Society and its institutions—most notably the law—have exhibited great faith in the ability of individuals to regulate the risks of their personal environments.

Over the past 30 years, however, the right (and obligation) of the individual to assess and choose among risks has been displaced by decisions of courts and government regulatory agencies. There are, I believe, two reasons for this development. One of these is the erroneous notion that individuals make systematic errors in their assessment of risks, an idea I have challenged elsewhere.[1] Here I address the second factor, the widespread view that experts at government agencies and in the judicial system can perform the risk assessment process more accurately because they are, in the words of *Webster's*, "very skillful or highly trained."

There is mounting evidence that this view of expertise is misguided.[2] Within regulatory agencies such as the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA), experts have adopted policies of extreme conservatism. At every point in the process, the worst-case assumptions are made, so that the compound effect may be to overstate the true risks by a factor of ten or even 1,000—without saying so. Simultaneously, the judicial system has increasingly dismissed the capacity of market participants to determine the appropriate level of risk. Consumers are viewed as unable to assess risk and unwilling to bear it, while producers are judged unwilling to sell the level of safety and health that consumers demand.

The result of this regulatory and judicial intrusion into the risk assessment process is twofold. First, there have been a rapidly growing number of costly attempts to reduce health and safety hazards that are simply not very dangerous. Just as importantly, the *relative* hazards of different threats have been severely distorted; as a result, we attack the less serious risks, leaving the more deadly to wreak their havoc.

Expertise and Evidence

Two recent policy issues illustrate why experts must be tools rather than arbiters in the process of assessing risk. First, consider cadmium, a toxic industrial metal used to coat metals and to make batteries and pigments. There is general agreement that at high doses cadmium can damage kidneys and possibly cause lung cancer. During the early 1980s, OSHA investigated the possibility of imposing stringent controls on

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workplace exposure to cadmium. OSHA's review of the evidence led it to propose rules that would have reduced exposure levels 100-fold, saving the lives of 14 workers each year.

The Office of Management and Budget (OMB) subsequently reviewed the same body of evidence. It concluded that the proposed regulations, far from saving 14 lives each year, would actually kill at least 25 additional individuals! OMB reasoned that the high cost of the proposed OSHA regulations would reduce America's wealth. As people become wealthier, they demand more safety; as they become poorer, they choose less safety. Thus, the decline in wealth caused by the costly new regulations would cause a decline in the demand for safety and lead to a rise in total fatalities.[3]

So one group of experts claim that the proposed regulations are an improvement; the other group of experts say they are not. The relevant issue is that the experts disagree. *Which expert* should we choose?

The second question is which evidence should be relied on. Consider the "greenhouse effect," the apparent tendency of carbon dioxide (CO_2) and other gases to accumulate in the atmosphere, acting like a blanket that traps radiated heat and increases the earth's temperature. Humankind is producing greenhouse gases at a record rate, and they are accumulating in the atmosphere. Over the past 50 years, the amount of CO_2 in the atmosphere has risen about 25 percent.[4]

In principle, higher CO_2 levels should lead to higher global temperatures; the National Academy of Sciences has suggested that by the middle of the twenty-first century, greenhouse gases could be double their levels of 1860 and global temperatures could rise by as much as 2° to 9° Fahrenheit. Many of today's temperate climes could become arid dust bowls.

At first glance, such a view seems consistent with the fact that, on average over the past century, greenhouse gases have been rising and so has the average global temperature. Yet almost all of the temperature rise occurred *before* 1940, while most of the increase in greenhouse gases has occurred *after* 1940. In fact, global average temperatures fell about 0.5° between 1940 and 1970;[5] this cooling actually led some prominent scientists during the 1970s to forecast a coming *ice age*. Thus, less than 20 years after experts assured us the evidence pointed directly at falling temperatures, experts are now saying that the evidence points toward rising temperatures.[6] The key is that here, as in many cases, the evidence is mixed. We must still decide *which evidence* to rely upon.

The Role of Incentives

Once we admit the possibility that experts err (or at least disagree) and that evidence is sometimes ambiguous (or at least arguable), we are forced to recognize that experts' judgments often reflect the incentives they face. Indeed, the cadmium episode reveals quite clearly how those differences can depend on the incentives at hand.

As reflected in its name, OSHA is charged with protecting worker safety, and one must presume that the rewards facing its employees are structured accordingly. In contrast, OMB emphasizes managerial efficiency and ferreting out the cost implications of government actions. The positive safety implications of the proposed cadmium regulations stem from the physical protections offered workers who handle cadmium; it was the evidence on these effects that OSHA's experts found most compelling. The adverse implications of the regulations, so compelling to the OMB experts, arise from their negative impact on our standard of living and the resulting decline in the demand for safety.

It is unlikely to be sheer coincidence that the respective experts' conclusions dovetailed closely with the mandates of their respective agencies. It is far more probable that these experts—like all experts—responded to the incentives they faced. They chose to evaluate the evidence not in a vacuum, but in accordance with the costs and benefits they perceive likely to accrue to *them* as a result of their decisions.

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"Today it is almost heresy to suggest that scientific knowledge is not the sum of all knowledge. But a little reflection will show that there is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is with respect to this that practically every individual has some advantage over all others in that he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation."

—F. A. Hayek, "The Use of Knowledge in Society"

It is arguable that only the people who bear the consequences of decisions can fully know the advantages and disadvantages of each expert decision, including decisions about what evidence to accept. In the case of global warming (or cooling), one body of evidence suggests that we act now to avoid further atmospheric warming; other evidence suggests that we should adopt a wait-and-see attitude. The physics and chemistry of the issue are insufficient to determine which body of evidence should be acted upon, just as the principles of aerodynamics and internal combustion are insufficient to determine whether you should fly to Los Angeles next Tuesday. We must know the benefits and costs for human beings. The ultimate "experts" on these are the individuals who will gain or lose as a result of the decisions that are made.[7]

It is tempting to argue that we can instruct the experts to behave in ways that are consistent with the wishes of the people affected by their decisions. But this argument assumes away key aspects of the risk assessment problem. First it supposes that the experts are already in place, without answering the question, *Which expert* should we rely on? Second, and perhaps more importantly, it supposes that these experts know *all* relevant facts about the individuals affected by their decisions. As F. A. Hayek demonstrated a half-century ago, the body of knowledge that enables the economic system to function coherently is not in the hands of any individual or subset of individuals within the economy—no matter how great their expertise. This knowledge begins as disparate bits and pieces of seemingly unrelated facts that are communicated and augmented by the operation of the market. To suppose that experts can bypass the process is to foolishly suppose that they are somehow *endowed* with the information that is *produced* by the price system.[8]

I am driven to the conclusion that both the experts and the rules under which they operate must be chosen by the people who will bear the effects of the experts' assessments. The ideal way to ensure this is to maximize the extent of risk assessment that takes place in the marketplace rather than in regulatory agencies or the courts. But if for other reasons it is necessary that government experts play a role, it is important that none be anointed "czar" of his or her respective risk arena, and that all be subject to the broadest possible review.

The participation of OMB in actively crafting OSHA and EPA regulations is likely to reduce the damages caused by regulations, because OMB participation adds to the spectrum of individuals and interests represented in the regulatory process. Similarly, requiring regulatory agencies to take the costs and benefits of their decisions explicitly into account forces them to broaden the range of people whose interests are considered. The point is not that the

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economists computing these numbers have more expertise, but that more interests are brought into the process.

The flip side of this is that those who are choosing the experts (or choosing to do without them) must bear the full range of costs and benefits associated with their choices. For example, if the firms that use cadmium play a role in crafting the rules limiting workplace exposures, these same firms should not then be able to hide behind the limitation of liability implied by workers' compensation laws. In other words, the firm should not enjoy all the benefits of a production process but then be able to avoid some of its costs in the event that something goes wrong.[9]

The consequences of risk assessment decisions will be borne by someone, whether that someone is the decision-maker or not. Those consequences will be the most advantageous possible only if those individuals that have the greatest incentive to decide among the unknowns—and the unknowable—are making those decisions. The answer to Juvenal's query is this: Only the owners of what is guarded are competent to select and monitor those who would guard it. And if the owners fail in these duties, their status soon will be that of *former* owners. □

1. See Daniel K. Benjamin, "Risky Business Rational Ignorance in Assessing Environmental Hazards," in Roger E. Meiners and Bruce Yandle (eds.), *Taking the Environment Seriously* (Lanham, Md.: Rowman & Littlefield, 1993), pp. 209–31.

2. See *Risk Assessment in the Federal Government: Managing the Process* (Washington, D.C.: National Academy of Sciences, 1983); Albert L. Nichols and Richard J. Zeckhauser, "The Perils of Prudence: How Conservative Risk Assessments Distort Regulation," *Regulation*, November/December 1986, pp. 13–24,; and Peter W. Huber *Galileo's Revenge: Junk Science in the Courtroom* (New York: Basic Books, 1991).

3. See Bob Davis, "Risk Analysis Measures Need for Regulation, But It's No Science," *The Wall Street Journal*, August 6, 1992, p. A1.

4. See *Policy Implications of Greenhouse Warming* (Washington, D.C.: National Academy of Science, 1991).

5. Laboratory analysis of glacial ice dating back 160,000 years indicates that global temperatures and CO_2 levels in the atmosphere do tend to move together, which would seem to suggest that the impact of today's rising CO_2 levels may be higher global temperatures in the future. But the historical CO_2 changes do not precede the temperature changes (which is the essence of the theory); instead they are either contemporaneous with the temperature changes, or they actually *follow* the climate changes. See *Policy Implications of Greenhouse Warming*, *ibid.*, and Sherwood B. Idso, *Carbon Dioxide and Global Change: Earth in Transition* (Tempe, Ariz.: IBR Press, 1989), pp. 51–53.

6. Robert J. Charlson et al., "Climate Forcing by Anthropogenic Aerosols," *Science*, 252 (January, 1992), pp. 423–30, argue that the warming effects of greenhouse gases are currently being offset by the cooling effect of additional particulate matter produced by the same forces (chiefly hydrocarbon combustion) that generate the greenhouse gases. The net impact on global temperatures—for the moment—thus appears to be roughly *nil*.

7. Today's decisions may affect the (potential) well-being of persons not yet born. This does not mean that these future generations will be ignored in present decisions, nor that experts must be appointed to act on behalf of our descendants. Although future generations cannot *directly* participate in today's decision-making, they are (except for unforeseeable mutations) fully represented *genetically* by individuals comprising the current generation, and thus best represented by members of the present generation. See Richard Dawkins, *The Selfish Gene* (New York: Oxford University Press, 1976).

8. See Friedrich A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, September 1945, pp. 519–30.

9. This is *not* to say that the firm should be prohibited from purchasing insurance on the open market. The point is that insurance should not be subsidized by the legal system.

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Owning the Unownable

by Paul Georgia

One of the most fascinating intellectual debates since the calculation debate over socialism in the 1930s is now raging in the environmental arena. The debate is over the most effective means of protecting the environment: government control or private stewardship. I call this debate the stewardship debate.

The arguments that Ludwig von Mises and F. A. Hayek used in the calculation debate are an important part of the current stewardship debate. The issues they raised—the knowledge problem and the role of market prices and private ownership—are an integral part of the intellectual arsenal used by advocates of ecological privatization.

Indeed, the dynamics of the stewardship debate mirror in many ways the calculation debate. Until Ludwig von Mises fired the first shot, socialists shrewdly avoided the economic feasibility of socialism by merely asserting the superiority of socialism over capitalism. To them it was sufficient to show the weaknesses of capitalism and, having done so, proclaim that socialism was the logical and inevitable outcome. Because markets failed to produce utopian results, socialism was declared the appropriate path to societal betterment.

Mises, however, argued that without the signals that market prices provide, economic calculation is impossible—that is, producers cannot know what to produce, how much to produce, and how to produce it efficiently. Under socialism, producers would be blind to the wants of consumers because socialism lacked prices. Without market prices we are left with a system of "groping about in the dark."[1]

The socialists eventually conceded that prices mattered, but they still claimed that markets and private property were not necessary. They argued that central planners could overcome the problem of calculation by simulating market prices through mathematical and statistical models.

Hayek ultimately defeated this "market socialist" argument by pointing out that arriving at realistic prices would require an enormous amount of information, and the knowledge necessary for such an undertaking is dispersed and fragmentary, frustrating any attempt at consolidation.[2] Israel Kirzner later stated that not only would the planners lack the necessary information but that they would be ignorant of their own ignorance.[3] No mind or group of minds could possibly contain the necessary information needed for such a task.[4]

The stewardship debate has followed a similar progression. Private property advocates have made powerful theoretical and empirical arguments to show the superiority of private stewardship and markets over government-directed environmental protection. Many environmentalists have essentially conceded this point. They have agreed (in word if not in deed) that markets and private property create powerful incentives

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which lead to more effective and efficient environmental protection.

However, they say, this is only true in areas where property rights are easily defined and exchanged. In other areas, defining property rights appears to be nearly impossible. For example, Robert Stavins, an environmental economist, promotes "economic-incentive mechanisms" that allow trades of pollution rights, but only after the pollution goals have been established politically. These mechanisms, Stavins says, encourage efficiency but "avoid the impracticalities of the pure, private-property approach." He asks scornfully: "Does anybody really believe that acid rain can be efficiently controlled by assigning property rights for the U.S. airshed and then effecting negotiations among all affected parties?"[5]

Unfortunately, many who advocate market solutions fail to address this question. They acquiesce under the daunting task of defining property rights in such areas as airsheds, groundwater, and oceans.[6] But it is important that free market environmentalists take on these more difficult issues.

Defining Property Rights

Critics of free market environmentalism advance three major arguments. The first is that it is impossible to assign property rights to—or "fence"—the atmosphere, groundwater, or the oceans.

Indeed, "fencing" the airshed, groundwater, or oceans appears difficult, but so did the fencing of the Western frontier of the United States in the nineteenth century. At first, land was plentiful and there was no need to clearly define property rights. However, over time land became more scarce and therefore more valuable. The higher value spurred greater efforts to fence the frontier and to more clearly define property rights.

But wood was scarce in the arid West and the distances to be fenced were enormous. Such obstacles made the construction of visible boundaries very expensive. Various solutions evolved, as Terry Anderson and P.J. Hill have shown. For example, camp lines were used to keep cattle herds separate; these "human fences" were effective but the costs of such methods were high. Eventually, the invention of a simple technology—barbed wire—greatly reduced the costs of delineating and protecting property rights.[7]

This example shows that property rights solutions do evolve to meet the unique challenges that arise with each situation. However, framing the issue in such terms as "fencing the airshed" is misleading. It is not necessary to fence and assign property rights to the atmosphere to reduce pollution. What is necessary is the existence of clearly defined and binding property rights to pollution-causing activities, as well as to the properties that are affected by the pollution. In a system of clearly defined and effectively protected property rights, the value of clean air and other environmental amenities will be revealed.

Before discussing how these preferences will emerge, an important distinction must be made between pollution and emissions or waste. Waste is simply a by-product of human action. Every productive and useful human action creates waste. However, waste is not by definition pollution. Only when waste is dumped where it is not wanted (i.e., on another's property) does it become pollution. Property owners have the right to restrict the dumping of waste on their property, whether it is in their airspace or on the property itself.

In a society based on property rights, individuals will have the ability to sue for redress when their rights are trespassed. If the property owner is successful, then the polluter must find ways to keep the emissions from traveling onto another's land or airspace. However, if a polluter wishes to continue to pollute, and property rights are clearly defined, it can purchase the right to do so from the property owner. By allowing property owners to negotiate among themselves, the value of clean air can emerge through the revealed prices, and the optimal amount of pollution will be achieved.[8] Moreover, private ownership creates incentives to develop more effective means of

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protecting property rights through technological advances.

Transaction Costs

At this point, environmentalists bring up their second argument, the problem of transaction costs. Even if rights are clearly defined, it is too costly, they say, for thousands of people affected by automobile pollution to get together with thousands of car drivers and negotiate a mutually satisfying agreement that would allow some pollution but not too much. The enormous amount of time needed just to reach a consensus among such a large number of individuals is one of the prohibitive costs involved in such an undertaking.

However, just as technology solved the fencing problem in the American West, it may do so for pollution. Technology developed at the University of Denver allows the measurement of automobile emissions as a car travels in a way similar to the way that radar measures speed. Stationary emission checkpoints along the highway can measure the amount of exhaust an automobile discharges as it travels. If the car exceeds the maximum limit, a photograph of the license plate is taken and the person pays a fine.

Most people see this technology as a more efficient means for the government to control pollution by catching those who drive the dirtiest automobiles.[9] But to those who think more deeply, this new technology provides a means of reducing the transaction costs while expanding freedom.

Highways—not just airsheds—could be privatized. Those who wish to negotiate for cleaner air then would only have to deal with one entity, the highway owner. Instead of thousands of homeowners attempting to negotiate with thousands of automobile users, there would be an owner of a segment of highway. This owner could negotiate with perhaps ten, twenty-five, or fifty homeowner associations. (Such associations could address these types of environmental concerns just as they have addressed crime and a whole range of other common landowner interests.)

The highway owner, using the new emission detection device, could charge user fees or fines, or prohibit highway use to automobiles that pollute excessively and expose the highway owner to potential liability.

As the costs of such negotiations decrease, the amount of pollution will approach a level that everyone will be happy with. If homeowner associations are the recognized owners of the airspace in which they reside, the highway owner could pay them to be allowed to pollute. If the highway owner exceeded the stipulated amount, the home associations could sue for damages. In this way an optimal amount of pollution is more nearly approached.[10] In an environment free from government interference, private institutions can evolve (perhaps slowly), leading to optimal solutions. Technology acts as a catalyst through which the costs of enforcing property rights are greatly reduced.

This system also allows time- and place-appropriate solutions. In Los Angeles, clean air is scarce. In Idaho it is plentiful. Although transaction costs and the costs of defining property rights over previously unowned resources may be the same in both places, Los Angeles will be more likely—in the absence of government interference—than Idaho to undertake the necessary market transactions because Los Angelenos will value additional clean air more. Under centralized control, Idahoans would pay the same for clean air as those in Los Angeles even though they don't value it as much.

Thus, markets overcome transaction costs in two ways; first, new technologies can greatly reduce transaction costs, and second, the value of clean air may be high enough to exceed the transaction costs of negotiating a solution.[11]

Of course, people may not want a cleaner environment so much that they are willing to pay for the necessary technology or the transaction costs. Those who weren't satisfied with the amount of clean air achieved through the market might well go to the government to force the rest of us to pay more for clean air than we want to. That is

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probably what has happened today under political management of the environment. The costs of politically managed clean air are hidden; we may be getting more clean air than people would want if they were free to negotiate for it.[12]

The Inevitability Defense

The environmentalist's last line of defense is the inevitability defense, just as the socialists ultimately resorted to the argument that socialism is an historical inevitability and therefore not subject to intellectual debate. Environmentalists bring up apocalyptic scenarios that demand coercive responses. Global warming and ozone depletion are examples. The potential costs are so high—the end of human civilization, more or less—that Apocalyptic environmentalists argue that we can't wait for market solutions to evolve. Government must impose restrictions immediately at any cost to preserve life on the planet.

Science is showing that global warming and ozone depletion may not be any more inevitable than socialism, but, even so, environmentalists argue that we should act: "Where public health may be adversely affected, or environmental damage may be serious or irreversible, prudent action is required even in the face of scientific uncertainty."[13] But given scientific uncertainty, how do you define "prudent action"? It must be determined politically. We can expect a lot of imprudent, unneeded, and costly policies if politics determines the action to be taken.

Many are uneasy with the evolutionary market model. They feel that they are being asked to accept on faith the spontaneous and unpredictable forces of the market. They feel more comfortable with the proposition that we should, as a society, consciously plan our future in order to arrive at the desired ends. But such planning, we realize now, cannot achieve the desired ends. Of such planning Hayek once asked, "Is there a greater tragedy imaginable than that, in our endeavor consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?"[14]

A survey of U.S. government policy in the last sixty years makes it painfully clear that the government's efforts have often aggravated the problems it was trying to solve. The track record of free societies and free institutions in satisfying human needs is far better than the track record of governments. Because of this, faith in the market is not blind, and relying on government, in light of its past performance, seems foolhardy. □

1. Ludwig von Mises, *Human Action: A Treatise on Economics*, 3rd rev. ed. (Chicago: Henry Regnery Co., 1966), p. 700.
2. Friedrich A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, September 1945, pp. 519–530.
3. Israel M. Kirzner, "Economic Planning and the Knowledge Problem," *The Cato Journal*, Fall 1984, pp. 407–418.
4. For a comprehensive survey of the calculation debate, see Trygve J.B. Hoff, *Economic Calculation in the Socialist Society* (Indianapolis: Liberty Press, 1981).
5. Quoted from the letters to the editor in which there was exchange between Fred L. Smith Jr. and Robert Stavins, "Let's Pretend Markets," *Policy Review*, Summer 1989, pp. 94–96.
6. See Michael Kellogg, "After Environmentalism: Three Approaches to Managing Environmental Regulation," *Regulation*, 1994, Number 1, pp. 25–34.
7. Terry L. Anderson and P.J. Hill, "The Evolution of Property Rights: A Study of the American West," *Journal of Law and Economics*, 12, 1975, pp. 163–179.
8. See Ronald H. Coase, "The Problem of Social Cost," *The Journal of Law and Economics*, October 1960, pp. 1–44.
9. See Jonathan Adler, *Reforming Arizona's Air Pollution Policy* (Phoenix: Goldwater Institute, January 1993), pp. 9–10.
10. The private highway approach was suggested by Terry L. Anderson and Donald R. Leal in *Free Market Environmentalism* (Boulder, Colo.: Westview Press, 1991), p. 165.
11. Harold Demsetz, "Toward a Theory of Property Rights," *American Economic Review*, May 1967, pp. 347–60.
12. Of course, other political factors may lead to less clean air than demanded. Because it is impossible for bureaucrats to know how much clean air people demand they may set the maximum level too high. This effectively creates a legally permissible amount of pollution giving firms the right to pollute, while depriving property owners the ability to sue for damages.
13. President's Council on Sustainable Development, *Vision Statement and Principles of Sustainable Development* (Washington, D.C., Spring 1994).
14. Friedrich A. Hayek, *The Road to Serfdom* (Chicago: The University of Chicago Press, 1944), p. 5.

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THE FREEMAN
IDEAS ON LIBERTY

Adam Smith—"I had almost forgot that I was the author of the inquiry concerning The Wealth of Nations"

by Jim Powell

Before Adam Smith, it seemed that most people believed government was necessary to make an economy work. In Britain and Europe, governments promoted economic self-sufficiency as a bulwark of national security. They subsidized "strategic" industries like mining and silk-making. Government helped protect apothecaries, bricklayers, woodmongers, playing-card makers, and myriad other workers against what they considered unfair competition. Governments restricted imports in the name of accumulating gold hoards, thought to be a secret of wealth and power. Life without government intervention was unthinkable.

Adam Smith defied all this with *The Wealth of Nations,* a clarion call for economic liberty. Although many specifics weren't original with Smith, he created a bold vision which inspired people everywhere. He showed that the way to achieve peace and prosperity is to set individuals free. He attacked one type of government intervention after another. He recommended liberating Britain's American colonies. He denounced slavery. Smith had an enormous impact on ideas, where change begins.

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Smith was an unlikely revolutionary. He came across as a serious, absent-minded, thoroughly likable man. He was a dedicated scholar all his life, amassing a library of some 3,000 volumes. He was often so preoccupied with ideas that he forgot what he was doing. Once, reportedly, he was giving a tour of a Glasgow tannery, and he absentmindedly fell right into the tannery pit, from which his friends extricated him. He seemed to make friends wherever people enjoyed playing cards or talking about such things as current affairs, history, literature, philosophy, or government policy. Voltaire, the famed French defender of religious toleration, wrote admiringly about Smith: "We have nothing to compare with him, and I am embarrassed for my dear compatriots." Madame Riccoboni, a French novelist, gushed: "I wish that the devil would carry off all of our own men of letters, all of our philosophers, and bring Mr. Smith to me. Superior men seek him out."

Writing was always tough for Adam Smith. The bookish bachelor wrote with a "schoolboy hand," forming big, round letters which were laboriously connected. Composition was just as tough. Smith wrestled with a few big ideas for decades and agonized over how to express himself. *The Wealth of Nations* was at least 27 years in the making.

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Kirkaldy, Glasgow, and Oxford

It isn't known exactly when Adam Smith was born, but he was baptized June 5, 1723, in Kirkaldy, a fishing village on Scotland's east coast. Smith's father, a customs official also named Adam, died several months before his son was born. The youngster was raised by his mother Margaret Douglas, daughter of a landowner. The only thing we know about his childhood was that at age four he was briefly abducted by a band of gypsies. "He would have made, I fear, a poor gypsy," noted John Rae, Smith's most scholarly biographer.

Smith entered Glasgow University at 14, the customary age for enrollment. The town of 25,000 prospered largely as an entrepôt for American tobacco, and this commerce stimulated intellectual life—the Scottish Enlightenment was in full flower. Glasgow University was famed for its teaching, in part because professors were compensated directly by student fees. They had an incentive to perform well. Smith studied with moral philosopher Francis Hutcheson, a forceful character who broke with tradition and delivered his lectures in English instead of Latin. Hutcheson expressed a passion for reason, liberty, and free speech, inspiring Smith. It seems to have been Hutcheson who brought his bright student to the attention of controversial rationalist philosopher David Hume; Smith and Hume were to become best friends.

To be sure, Smith was his own man, disagreeing with Hutcheson on some key issues. Hutcheson, for example, believed that self-love was a bad thing and that only well-intended actions were virtuous. As Smith wrote later: "Regard to our own private happiness and interest, too, appear upon many occasions very laudable principles of action. The habits of economy, industry, discretion, attention and application of thought, are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praise-worthy qualities which deserve the esteem and approbation of every body."

How did Smith discover the wondrous effects of self-interest? Well, he was a remarkably perceptive person who spent years in a thriving commercial center, so he must have learned much from his own observations. Smith scholar Edwin Cannan thought that the Dutch doctor Bernard Mandeville must have influenced Smith's thinking, too, with his provocative satire *The Fable of the Bees: or Private Vices, Publick Benefits* (expanded edition, 1729). In it, Mandeville scandalized high-minded folks by suggesting that self-interest is good, because it leads people to serve each other and help society prosper.

In 1740, Smith accepted a £40 annual Snell scholarship to continue his philosophical pursuits at Balliol College, Oxford. It turned out that professors were paid regardless of how much teaching they did, so they did little. Smith was on his own for six years at Oxford. He educated himself in the library, gaining a considerable knowledge of Greek and Roman classics as well as modern French and Italian literature. The one thing Oxford officials felt strongly about was rationalism—they hated it. When Smith was caught reading a copy of David Hume's *Treatise of Human Nature,* which he probably got from Francis Hutcheson, he was reprimanded. The offensive volume was confiscated.

Smith wanted to teach at a Scottish university, and the traditional method of seeking a professorship was to show what you could do—deliver some public lectures. If university officials were impressed and needed to fill an opening, one might be appointed. Accordingly, in 1748, in Edinburgh, Smith began delivering lectures about ethics, economics, and defense policy. He was to spend the rest of his life expanding this material into books.

As early as 1749—before major works of the French laissez-faire economists were published—Smith had concluded that the way to promote prosperity is for governments to leave people alone. Dugald Stewart, a student of his, reported that in a lecture that year, Smith declared: "Little else is required to carry a state to the highest

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degree of affluence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavor to arrest the progress of society at a particular point, are unnatural, and, to support themselves, are obliged to be oppressive and tyrannical."

Smith's lectures were well received, and by 1751 he was teaching logic at Glasgow University. A year later, he was asked to teach moral philosophy there. Five times a week at 7:30 in the morning, he delivered an hour-long lecture. Three days a week at 11:00, he taught private classes. He seemed to have won the respect of students and faculty alike, because in 1758 he was named dean. Recalled one of his students, James Boswell, later a famous literary biographer: "Mr. Smith's sentiments are striking, profound and beautiful. He has nothing of that stiffness and pedantry which is too often found in professors."

Evenings, Smith played whist and chatted with some of Scotland's brightest minds. These included David Hume, steam engine inventor James Watt, and chemist Joseph Black. Smith participated in a discussion club started in the 1740s by banker Andrew Cochrane, which met weekly to talk about economic and political issues. Smith didn't have much luck with ladies, however; he proposed marriage two or three times but was rejected.

The Theory of Moral Sentiment

Meanwhile, Smith spent about four years transforming lecture material into his first book, *The Theory of Moral Sentiments*. It was about motivations other than self-interest which influenced human behavior. Published in London in 1759, it made him a literary celebrity. He dined with all kinds of successful people, including Benjamin Franklin.

In *The Theory of Moral Sentiments*, Smith announced his next project: "I shall in another discourse endeavour to give an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns policy revenue and arms, and whatever else is the object of law." That project, of course, was *The Wealth of Nations*.

Hume sent a copy of *The Theory of Moral Sentiments* to the English statesman Charles Townshend. As colonial minister, he was to earn notoriety for depriving the American colonies of cherished prerogatives and unintentionally provoking the revolutionary movement. Townshend wanted someone distinguished to tutor his stepson, Henry Scott, the Duke of Buccleugh. Townshend agreed to pay Smith £300 a year plus expenses—about three times more than Smith got from the University of Glasgow—for giving the Duke a Grand Tour of Europe. Moreover, Smith got a £300 annual pension for life. Smith might never have worked in business, but he knew how to cut a good deal!

Smith met the Duke in London in January 1764, and from there traveled to Toulouse, a resort town popular among the English. In Toulouse, Smith acquired another young charge, the Duke's younger brother, Hew Campbell Scott. With letters of introduction from Hume among others, Smith introduced himself and his young charges to the most interesting people he could find.

For anyone interested in liberty, France was an ideal destination at that time. Smith saw firsthand how the French were struggling with a much more costly, interventionist government than he had experienced. Smith visited with leading intellectual rebels. In Paris, he met François Quesnay, founder of the Physiocratic school of laissez faire economics. Smith got to know Anne Robert Jacques Turgot, the passionate French advocate of laissez faire policies. Smith visited Geneva and met Voltaire who reportedly declared: "This Smith is an excellent man!"

Equally important, Smith became bored and restless in Toulouse. He resolved to

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Smith never sat for a portrait, but James Tassie did a medallion in 1787, when Smith was 64 and ill. Such medallions were typically modeled from wax, so this one is presumed to be accurate. As Royal Economic Society cataloguer James Bonar described it: "The head, which appears turned in pure profile to the right of the spectator, shows a particularly full forehead, a full nose, slightly aquiline in its curve; a long thin upper lip and a lower lip that protrudes a little; and a firm, well-shaped chin and jaw. The eyebrow is strongly curved, the upper eyelid heavy and drooping, the eyeball particularly prominent, and beneath the lower eyelid the skin is loose and wrinkled. A wig is worn, tied behind in a bag with ribbons, showing small curls in front, and two large curls at the side which cover and conceal the ear." Smith admitted to a friend: "I am a beau in nothing but my books."

pursue the project he had described five years previous in *The Theory of Moral Sentiments*. On July 5, 1764, he wrote Hume: "I have begun to write a book in order to pass away the time." Thus began his initial draft of *The Wealth of Nations*.

Smith's European stay ended abruptly after Hew Scott was murdered in Paris in October 1766. Smith and the Duke returned to London, and Smith turned to revising *The Theory of Moral Sentiments*. Then he made his way back to Kirkaldy where, living with his mother, he worked on *The Wealth of Nations*. "My business here is study," he wrote. "My amusements are long solitary walks by the Sea side . . . I feel myself, however, extremely happy, comfortable, and contented, I was never perhaps more so in all my life."

By 1770, Smith plunged into laborious revisions. During 1773, he added important material on rent, wages, and the American colonies. In April that year, he moved to London so he could gain access to more research materials. He did research at the British Museum. He worked on revisions at the British Coffee-House, Cockspur Street, where many Scottish artists and intellectuals gathered. He belonged to a weekly dining club at the coffee house, joining portrait painter Joshua Reynolds and architect Robert Adam, among others. Apparently, Smith gave copies of each new chapter to friends who discussed and criticized it. Smith's friend Adam Ferguson, in the fourth edition of his *History of Civil Society*, alerted readers to what was coming: "The public will probably soon be furnished (by Mr. Smith, author of *The Theory of Moral Sentiments*) with a theory of national economy equal to what has ever appeared on any subject of science whatever."

"An Excellent Work"

Finally, on March 9, 1776, *An Inquiry into the Nature and Causes of the Wealth of Nations* was published by the firm Strahan and Cadell. Smith was 52. Smith's painstaking revisions paid off, because the book reads as if Smith were speaking to you across a table, explaining simply what makes an economy tick. "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner," he wrote, "but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages."

The Wealth of Nations conveyed a deep understanding of why a free society works

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best. Smith's most famous lines: "[a typical investor] intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affect to trade for the public good."

The first reactions came from his friends who had seen the book evolve. For example, David Hume, April 1, 1776—"Dear Mr. Smith: I am much pleas'd with your Performance, and the Perusal of it has taken me from a State of great Anxiety. It was a Work of so much Expectation, by yourself, by your Friends, and by the Public, that I trembled for its Appearance; but am now much relieved. Not but the Reading of it necessarily requires so much Attention, and the Public is disposed to give so little, that I shall still doubt for some time of its being at first very popular."

Historian Edward Gibbon wrote Adam Ferguson: "What an excellent work is that with which our common friend Mr. Adam Smith has enriched the public! An extensive science in a single book, and the most profound idea expressed in the most perspicuous language."

Some critics like Sir John Pringle believed that *The Wealth of Nations* couldn't be a good book, since Smith never had any business experience.

But literary lion Samuel Johnson remarked: "He is mistaken, sir, a man who had never engaged in trade himself may undoubtedly write well upon trade, and there is nothing that requires more to be illustrated by philosophy than does trade." Thomas Jefferson was enthusiastic. In a letter to a friend, he wrote: "If your views of political inquiry go further, to the subjects of money & commerce, Smith's Wealth of Nations is the best book to be read. . . ."

The first printing sold out in six months and made Smith a sensation. A German edition appeared in 1776, a Danish edition in 1779, an Italian edition in 1780, and a French edition in 1781. The Spanish Inquisition suppressed the book for what officials considered "the lowness of its style and the looseness of its morals."

Smith had no sooner finished the book than he began revising it. New English editions appeared in 1778, 1784, 1786, and 1789. Smith seems to have had time for little else. With a mischievous flash of humor, referring to his well-known absent-mindedness, he told his London publisher in 1780: "I had almost forgot that I was the author of the inquiry concerning The Wealth of Nations."

The Duke of Buccleuch was thrilled with Smith's success and pulled strings to get his former tutor appointed Commissioner of Customs, a lucrative though not very demanding position (£600 a year) which Smith accepted. Some reward for a free trader!

Smith died quietly at his Kirkaldy home on July 17, 1790. As he had asked, his executors Joseph Black and James Hutton burned almost all his papers, frustrating generations of biographers.

His work lived on, and he became a guiding light whose love of liberty helped make the nineteenth century the most peaceful period in modern history. Now some two hundred years after Smith's death, economists have identified technical errors in his work, yet his reputation towers over challengers like Karl Marx and John Maynard Keynes. Nobel Laureate George Stigler dubbed Smith "the patron saint of free enterprise." H.L. Mencken declared: "There is no more engrossing book in the English language than Adam Smith's *The Wealth of Nations*." He remains a commanding presence as liberty is being reborn at the dawn of the twenty-first century. □

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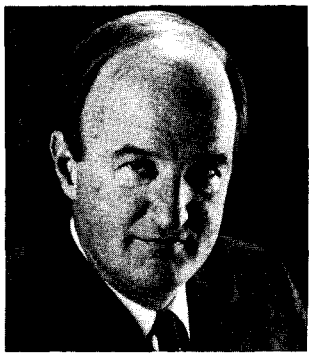
Friedman Challenges Hayek



"The Hayek-Mises explanation of the business cycle is contradicted by the evidence. It is, I believe, false."

—Milton Friedman

Last month, I wrote about the long-standing debate between the Monetarists and the Austrians, which surfaces at practically every Mont Pelerin Society meeting. Both schools are ardent defenders of the free market, yet they fight incessantly over methodology and economic modeling.

The issue is not so much politics as economics. In fact, Milton Friedman, chief spokesman for the Monetarist school, recently wrote a flattering introduction to the 50th anniversary edition of Friedrich Hayek's *The Road to Serfdom*. But his attitude (and Allan Meltzer's) toward Hayek's *Prices and Production* and the Austrian theory of the business cycle is less charitable.

Friedman first raised the issue of Austrian business-cycle theory in a 1964 article on monetary studies at the NBER[1] and updated it in a 1993 article in *Economic Inquiry*.[2] In both articles, Friedman questions the Mises-Hayek thesis that recessions are caused by prior inflations. He examined cyclical activity in the United States (as measured by GDP and other data) between 1879-1988, excluding war cycles and 1945–49. He concludes that there is no significant correlation between the length and severity of an expansion and the succeeding contraction. However, there was a fairly high correlation between thelength and severity of a contraction and the succeeding expansion.

The Basics of Mises-Hayek Cycle Theory

Friedman has discovered a most interesting statistical phenomenon, and his interpretation deserves a careful response from those of us sympathetic to the Austrian school. But in order to respond properly, it is critical that we understand exactly what the Austrian theory of the business cycle is and what it implies.

Mises and Hayek argue that the business cycle is caused primarily by cheap credit issued by the government via expansion of the money supply or lowering the discount rate. According to the Austrians, easy money creates an imbalance in the time structure of the economy. It artificially lowers interest rates below the natural rate and creates an economic boom, particularly in the higher-order capital goods industries (mining, manufacturing, commercial real estate, etc.). However, this boom cannot last. As the economy heats up, interest rates rise above the natural rate and the investment boom turns into a bust. The inevitable recession re-establishes the proper balance between consumption and investment.

The Mises-Hayek model is often termed an "overinvestment" or "malinvestment" theory of the cycle because it focuses on the expansion and contraction of the capital investment sector during the business cycle.[3]

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Essentially, I see the Mises-Hayek model as confirming Friedman's dictum, "There is no such thing as a free lunch." The state cannot create irredeemable paper money out of thin air without paying the price. Monetary inflation doesn't simply raise prices, it distorts the economy. The first effect of easy money is a boom, but eventually a bust must follow.

The Issue Over Data

Friedman seems to have a basic understanding of the Mises-Hayek model, which is that the cause of a recession is the prior inflation, and the greater the fiat inflation, the greater the subsequent crash, other things being equal. (The higher they climb, the greater they fall.)

Friedman rejects Austrian business cycle theory because the evidence seems to counter any relationship between a recession and a prior inflation. However, I believe Friedman uses the wrong data. In order to properly judge Mises-Hayek, one should correlate "easy credit" with economic activity, not past economic activity (expansion) with subsequent economic activity (contraction). An economic recovery or recession might change dramatically with a shift in monetary policy. For example, the Federal Reserve may not allow a deep recession to run its course, e.g., in 1982, when it injected massive new reserves into the banking system. Also, GDP is not a good indicator of investment activity, the main focus of the Mises-Hayek theory. GDP measures only *final* output, not the production of higher-order capital goods.

Clearly, there is a strong link between monetary policy and economic activity. Much of Friedman's lifetime work deals with this close relationship. Mises-Hayek simply goes further, demonstrating how the monetary transmission mechanism works through the capital investment sector.

I offer two examples to elucidate the Mises-Hayek model. First, take the U.S. in the 1950s and early 1960s. Monetary inflation was relatively modest back then, and so was the business cycle. But monetary inflation grew much more rapidly in the late 1960s and 1970s, and so did the volatility of the economy. The expansions were greater and the contractions were more severe, just as Mises-Hayek would predict.

Look at Japan in the 1980s. If the Bank of Japan had adopted the Friedman monetarist rule (increasing the money supply at only 2–3 percent each year), the Austrians would predict only a mild inflationary build-up and subsequent recession. Unfortunately, the Bank of Japan engaged in an extremely liberal money policy, expanding the monetary base by 11 percent for four straight years and keeping interest rates artificially low. The result was (1) dramatic economic growth in the late 1980s, followed by (2) a crash and depression in the early 1990s. I fail to see how the data here contradicts Mises-Hayek. In fact, Japanese economist Yoshio Suzuki confirmed the Austrian thesis recently: "As Hayek teaches us, easy money does not always raise the price of goods and services, but always creates an imbalance in the structure of the economy, particularly in the capital markets. . . . This is exactly what happened in Japan [in the 1980s]."[4] He pointed out that Japanese consumer and wholesale prices were relatively stable during the late 1980s, but an unsustainable "bubble" in asset prices (stocks, real estate, art work, etc.) occurred.

Milton Friedman and I continue to exchange letters debating the merits of Austrian business cycle theory. I agree with him that more research and testing need to be done on this critical issue. Stay tuned. □

1. Milton Friedman, "The Monetary Studies of the National Bureau," *44th Annual Report*, National Bureau of Economic Research (1964), reprinted in *The Optimal Quantity of Money and Other Essays* (Chicago: Aldine, 1969), pp. 261–84.

2. Milton Friedman, "The 'Plucking Model' of Business Fluctuations Revisited," *Economic Inquiry* (April, 1993), pp. 171–77.

3. A detailed explanation of Austrian business cycle theory can be found in Murray Rothbard, *America's Great Depression*, 4th ed. (New York: Richardson & Snyder, 1983 [1964]). Hayek's *Prices and Production*, 2nd ed. (New York: Augustus M. Kelley, 1935 [1931]), is still in print.

4. Dr. Yoshio Suzuki, "Comment on Papers by Benegas Lynch and Skousen," Mont Pelerin Society Meetings, September 27, 1994, Cannes, France. Suzuki also stated, "In my 40 years' experience as a monetary economist, I have never felt as strongly as I do today the need to bring back to life the essence of Hayek's trade cycle theory."

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BOOKS

Eco-Sanity: A Common-Sense Guide to Environmentalism

Joseph L. Bast, Peter J. Hill, Richard C. Rue

Madison Books • 1994 • 316 pages • $22.95 cloth; $12.95 paperback

Reviewed by Doug Bandow

Many good books have appeared on the environment and the environmental movement in recent years. Ronald Bailey, Michael Fumento, Lou Guzzo, and Dixy Lee Ray, among others, have produced devastating studies of environmental foolishness. Thoughtful environmentalists like Wallace Kaufman and Martin Lewis have written sharp critiques of the dishonesty and radicalism of movement activists. But if you want the one book that concisely explains both the real ecological state of the world and offers sensible, market-oriented solutions to environmental problems, it is *Eco-Sanity: A Common-Sense Guide to Environmentalism*. Written by a trio of free market analysts and outdoorsmen, *Eco-Sanity* should provide the standard against which future environmentalist claims are measured.

Such a book is long overdue. It was another book, Rachel Carson's *Silent Spring*, that helped create the modern environmental movement three decades ago. Carson was completely wrong in her warning that chemicals were going to create a "silent spring," but that didn't matter to many readers. As the authors of *Eco-Sanity* observe: "Though the language of *Silent Spring* has more in common with *Night of the Living Dead* and *Frankenstein* than it does with a scientific treatise, the book was presented to the public as objective science." Unfortunately, Carson's apocalyptic fear-mongering has been widely imitated by the likes of Lester Brown, Paul Ehrlich, and many others over the years.

Eco-Sanity comes at a propitious moment. During the 1960s and 1970s the environmental movement was able to generate substantial political support for what was in truth a radical regulatory agenda. Although better environmental protection was achievable at far less cost, "it is unlikely that calls for more research or cost-benefit analysis would have captured the attention of the nation's policy makers," observe the authors. During the 1980s and 1990s, however, popular resistance to environmental extremism stiffened as the cost of making ever smaller ecological advances soared. Yet the environmental movement "has been slow to change its tactics in response to these changing realities," contends *Eco-Sanity*. "Environmentalists continue to issue demands without acknowledging their real costs and effects on others. They cling to the obsolete notions of villains and crusaders, blinding them to the contributions of science and economics and making them easy prey for alarmists and media hype." *Eco-Sanity* should help change this.

The authors begin by reviewing the actual state of the world. If one listens to the prophets of doom, one would think that life on the planet was deteriorating at an alarming rate. Indeed, you could be forgiven for believing that there are few aspects of our lives *not* getting worse: the globe is warming, population is growing, ozone is dissipating, trash is piling up, deserts are expanding, forests are disappearing, toxic wastes are flowing, and more. Yet, in the main these claims are false. Genuine environmental problems exist, of course, but the world is not in crisis. To the contrary, reports *Eco-Sanity*: (1) "Most Americans today live in an environment that is cleaner than it was at any time in the past half-century," and (2) "The environment in the U.S. today is safer than it has been at any time in recorded history."

The bulk of the book is dedicated to proving the truth of these two propositions. For instance, various major air pollutants fell between 24 percent and 94 percent from 1975 to 1990. Total emissions of these pollutants were 12.6 percent lower in 1990 *than*

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in 1940. Similarly, water in America has become cleaner over the last two decades. U.S. rivers like the Mississippi are less polluted than major waterways in Britain, France, and Germany. Food supplies are safe and abundant. Timber growth has exceeded harvests every year since 1952; today's annual increase is treble the level of 1920. Waste disposal technologies are safe and potential landfill capacity is vast. Global oil reserves are climbing. In short, there's a lot of good news to celebrate.

Not that the authors are Pollyannas. There is still work to do—particularly to combat perverse government policies, such as below-cost sales of timber from federal land. But, as *Eco-Sanity* demonstrates, Americans' "hard work and major investments of tax dollars have purchased a cleaner environment for them and their children."

Despite the obvious good news about these more traditional areas of environmental concern, however, people still face a raft of frightening predictions involving new issues. *Eco-Sanity* patiently debunks the multitude of impending disasters with which we are supposedly threatened. This section alone makes the book worth reading, since it demonstrates how radical environmentalists have regularly twisted data and made wild extrapolations to demonstrate that the world is about to end . . . unless the government is immediately invested with huge new powers to regulate, tax, and spend.

Eco-Sanity performs critiques of a number of issues: global warming, ozone depletion, acid rain, deforestation, pesticides, resource depletion, population, electromagnetic fields, toxic wastes, and more. The authors' discussions are always concise, objective, persuasive, and readable, and should do much to help educate a public that has until now proved far too vulnerable to shameless scare-mongering.

After debunking the worst of environmentalist propaganda, the authors offer a primer on clear thinking about the environment and a detailed "common-sense agenda" for dealing with the major environmental problems that continue to face us. Were their ideas turned into law we would be likely to see far better environmental protection at far less cost. For this reason, their thoughtful approach should appeal to any environmentalist who does not put ideology before conservation, who is committed to achieving a reasonable balance between economic prosperity, individual liberty, and environmental protection.

"Eco-sanity means applying reason, sound science, and a respect for the rights of others to environmental issues," write Joseph Bast, P.J. Hill, and Richard Rue. Unfortunately, reason, sound science, and respect have long been lacking in the environmental debate. But *Eco-Sanity* may be the book to help transform the national debate. It is a critically important work and deserves the sort of attention heretofore reserved for the latest alarmist screed. □

Mr. Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Envy: Statism as Theology *(Transaction Publishers).*

No Turning Back: Dismantling the Fantasies of Environmental Thinking

by Wallace Kaufman

Basic Books • 1994 • 212 pages • $25.00

Reviewed by Lance Lamberton

Wallace Kaufman courageously challenges the environmentalist establishment in his compelling and persuasive book, *No Turning Back*. Kaufman's credibility in taking on that establishment is founded on his having worked for 30 years for that very establishment, as president of two state-level environmental groups and lobbyist for the Wilderness Society.

The principal virtue of *No Turning Back* is the way in which it organizes and presents its arguments. It is what I would call an effective "outreach book" that will appeal to and inspire non-ideological men and women in business who are generally too busy going about the day-to-day task of producing goods and services to focus on

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why they are the target of environmental activists. Moreover, these same people feel vaguely guilty that what they are doing is somehow wrong. *No Turning Back* gives them the intellectual ammunition to shed the guilt, and leaves them with hope that the inevitable march of science and technology will eventually triumph over the Luddites of the nineties.

While *No Turning Back* is primarily a restatement of free market applications to environmental issues, its discussion of the roots of environmentalism and the emergence of scientific ecology and the property rights movement does provide some fresh insights.

The idea that nature is sacred was a reaction to the ability of science to reveal the secrets of nature and strip away its mystery and power over mankind. Most prominent among the Enlightenment reactionaries was Jean-Jacques Rousseau, who claimed that primitive peoples always led the happiest lives.

Rousseau's vision of "paradise lost" found its way to America by way of England through the English Romantics. From this foundation emerged Henry David Thoreau, who became the godfather of the American environmental movement, calling for a return to communal harmony, as if such a thing ever existed. Fortunately, his ideas were not taken up on a large scale in nineteenth-century America, with its drive to settle a continent and create a level of prosperity unimaginable to previous generations.

That was to change in the twentieth century, when the traumatic events of World War I and the Great Depression planted the seeds of command-and-control economics, which took root and eventually found their most fertile soil in the environmental movement of the sixties.

However, in culture, as in physics, every action has a reaction. Kaufman points out that the reaction to "command and control" environmentalism is manifesting itself with the emergence of scientific ecology and the property rights movement. Scientific ecology challenges the most cherished assumption of environmentalists: that nature exists in perfect balance except when upset by man's intervention. On the contrary, the new ecologists say that nature's preference is not for balance, but for change.

All of nature's creatures have been living on a planet where changes are unpredictable, swift, and devastating. The challenge, then, is not whether to protect or destroy the environment, but rather how to protect the environment *and* achieve economic growth. Critical to meeting this challenge is understanding and accepting the premise of ecologists that changing the environment for man's use does not entail environmental disaster. On the contrary, it recognizes man as a responsible steward. While this perspective has been extensively researched and chronicled in the scientific literature, rarely has it been brought forth in popular writings. Kaufman is to be applauded for doing so in *No Turning Back*.

Finally, Kaufman provides a fresh discussion of the nascent property rights movement. One of the most cherished ideals in American society is the right to own and use property. When the Endangered Species Act prevents, for example, an owner from selling 38 acres of land because a pair of bald eagles have nested on it, it is not surprising that landowners rise up to say enough is enough. Now, at long last, the courts are beginning to recognize these rights, and have begun enforcing the takings clause of the Constitution, which requires government to compensate landowners for property where their laws prohibit development.

Kaufman envisions a future where property rights are recognized, scientific principles are applied to public policy, and technological advances address the dual societal requirements of environmental stewardship and economic growth. If such a confluence of changes were to occur, it would relegate today's environmental movement to the dustbin of history. I just hope I live long enough to see it. □

Mr. Lamberton is the Public Affairs Director for a cable operator in Texas, and the former Deputy Director of the White House Office of Policy Information under President Reagan.

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The Spirit of Freedom: Essays in American History

edited by Burton W. Folsom, Jr.

The Foundation for Economic Education • 1994 • 212 pages • $14.95 paperback

Reviewed by Wesley Allen Riddle

Dr. Burt Folsom, Professor of History at Murray State University in Kentucky, has compiled a collection of essays previously published in *The Freeman* between 1961 and 1992. The 23 essays relating to various themes in American history are authored by 21 different university professors and other professionals. *The Spirit of Freedom: Essays in American History* is an excellent addition to American historiography and a welcome contribution to a new, emerging consensus about America's past. Through this book, FEE reinvigorates serious study of political economy, a term rarely entertained of late on American campuses.

The Spirit of Freedom also challenges some Marxist and New Deal revisionism, which is largely responsible for the diminished lexicon in American academia, as well as for a generation of young Americans who cannot name the Father of their Constitution. Much in the way of liberal ideological bent has found its way into historical literature and distorted objective assessment and contextual understanding of American history. Policy decisions have even come to hinge on such disinformation and error. It is because assumptions about the nature of American institutions and interpretations concerning the factual historical record are so crucial that FEE has become a leading foundation for *American history* education.

The Spirit of Freedom is suitable for course work by college undergraduates, advanced high school students, and homeschoolers. The collection is edited to high academic standards and is both well endnoted and indexed. While one is tempted to label the collection according to the Consensus or Neo-Whig schools of history, it defies easy categorization. Rather, the book is refreshingly free of parametrical confines and looks at history in a number of creative ways, both old and new.

The Spirit of Freedom contains four subsections: (1) Origins of Freedom; (2) Triumph of Freedom; (3) Obstacles to Freedom; and (4) Overcoming the Obstacles. The first section covers America's founding era from 1620 to circa 1830, with excellent essays on New England and Middle Colony groups; a comparative history essay on the American and French Revolutions; an examination of George Washington's thoughts concerning the political dialectic of liberty and order; and a wonderful primary source account on public assistance, written by Davy Crockett. One essay on the Pilgrims is intriguing to those interested in intellectual history, in that it traces American libertarian tradition to the Dutch, as opposed to the English. Another essay on Pilgrims develops little known details about socialist land use experiments in the early years of Plymouth Colony.

Part Two picks up in 1869 and includes events to circa 1960. The third section traces contrary historical trends along a chronological path from 1911. The real strength of this book may be the articles in these two sections. Major essays radically reinterpret liberal historical consensus about the Gilded Age, Progressive Era, and New Deal. One essay convincingly re-examines the monopolistic, greedy, and exploitative reputation of so-called Robber Barons. Dr. Hans Sennholz dissects the Great Depression with clarity and insight, proving it to be four consecutive depressions, compounded and prolonged by ill-advised government financial policies from Coolidge to Roosevelt. Essays also introduce important developments in science and technology, as well as in business, economics, and government.

The concluding section offers three short contemporary examples of American success, as well as tentative lessons derived from history. Indeed, the whole book implicitly supports a kind of faith that history does contain positive instruction for present condition and future promise. Having said that, *The Spirit of Freedom* does not posit an

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American Utopia that fell from grace. It does, however, purport to isolate and explain certain characteristics that were and are responsible for America's unparalleled material prosperity and social and political stability (if not always harmony).

After all, America is the oldest fundamentally unchanged government in the history of the world; no nation has reunited so completely after a terrible civil war; diverse peoples live neither as peaceably nor on as equal terms anywhere else. The presumption is that some things are therefore unique about America, that much is right about America, and that much of what is right constitutes an *exceptional* identity among nations. *The Spirit of Freedom* is a departure from some modern historiography, which de-emphasizes American exceptionalism and American achievements. Moreover, the book reverses a trend in history away from biography, as if people no longer mattered.

The Spirit of Freedom portrays a number of famous and lesser-known personages—real people in real situations, with real effects which ensue. In a society that languishes from want of good role models, *The Spirit of Freedom* reminds us that history is replete with them. The essays contain significant cameos of William Penn, John D. Rockefeller, John Arbuckle, James Duke, Edwin Armstrong, Cornelius Vanderbilt, Henry Flagler, Sam Walton, and Frank Perdue, as well as interesting biographical information on a host of other characters.

Dr. Folsom and FEE are to be commended for this valuable collection of essays. *The Spirit of Freedom* corrects many historiographical distortions, without being doctrinaire or unsophisticated. Indeed, those who prize both scholarship and truth will find this anthology gratifying and useful. Many current and future policy proponents are, in the words of one essay, "oblivious to both economics and history." The education crisis in the country has produced a situation about which Santayana's dictum connotes some urgency, since ignorance of the past has never once proven to pardon a people's mistakes. The book is a pleasure and an education to read. It is also a good guide for those who seek and find wisdom through history—*sapientia per historiam.* □

Wesley Allen Riddle teaches American History at the U.S. Military Academy, West Point.

Public Goods and Private Communities: The Market Provision of Social Services

by Fred Foldvary

Edward Elgar Publishing • 1994 • 288 pages • $59.95

Reviewed by Roy E. Cordato

The primary purpose of academic programs in urban economics is to train central planners. Traditionally college courses in state and local public finance and urban economics have rationalized everything that local governments do, while invoking elaborate formulations about how these governments might do what they do more "efficiently." Dr. Fred Foldvary's new book, *Public Goods and Private Communities*, turns the standard model of urban economics and local public finance on its head. He first argues that the economic theory of public goods, which supposedly "justifies" government provision of many goods and services, is irreparably flawed. He then argues that most if not all of the services that local governments provide can be, and are, provided more efficiently through private contractual arrangements.

Courses in public finance all begin by discussing the theory of "public goods." Basically a good or service is said to have "public" characteristics if private producers cannot capture all of the benefits associated with its consumption. The idea is that once such a good is produced people can enjoy the benefits that it provides without having to pay for them. Consequently, it is argued that public goods will either be "underproduced" in the free market or not produced at all. The government therefore

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should either subsidize their production or simply produce these goods or services and pay for them through taxation.

As an example Dr. Foldvary uses the building of a dam that would provide flood prevention services to a community. It is easy to see how once the dam is produced, anyone living in the area would automatically receive the flood prevention benefits whether or not they pay for them. This is the so-called free rider problem. Public goods theory argues that people will not voluntarily pay for such services and the private sector would have no incentive to undertake projects like the dam. Other frequently cited examples of public goods include roads, parks, police and fire protection, national defense, and education. The theory of public goods allegedly provides the economic justification for extensive government involvement in these and many other areas.

Foldvary attacks the standard theory of public goods from several perspectives. Drawing on arguments made by "public choice" economists, he points out that there is no reason to expect the government to succeed where the market has supposedly failed. Once the political process, dominated by special interests and the self-interest of politicians and bureaucrats, is analyzed, the economic efficiency justification for government provision of "public goods" falls apart. There is no reason to favor the results of the political process, even over the caricatured results of the free market that are described in the theory of public goods. Even on its own terms, the policy conclusion of public goods theory simply substitutes government failure for "market failure."

Foldvary also argues that public goods theory starts with faulty assumptions about the real world—namely that people live atomistically rather than in geographically defined communities and that public goods must be provided in isolation from private goods. His analysis challenges these assumptions. More realistically, he assumes that people live in communities where societal pressures can be brought to bear on would-be free riders and that the provision of public goods can be "tied" to the provision of private and excludable goods.

Foldvary argues that there is no reason to expect that public goods will not get produced through private contractual arrangements. Drawing on the works of "Austrian" and "constitutional" economists such as F. A. Hayek, James Buchanan, and Richard Wagner, Foldvary advances an economic theory that explains what is observed in real world communities around the country, i.e., the private provision of public goods and services. It is a phenomenon observed in private neighborhood associations, planned communities, apartment complexes, condominium associations, and even shopping malls and amusement parks. All of these represent communities, i.e., voluntary social arrangements, of one form or another. They also require as a condition of membership (to invoke the analogy of a club) the purchase of a bundle of public and private goods. For example one might buy into a condominium association because he wants the private services of having his lawn mowed or the use of tennis courts. But these services are typically "tied" to the provision of other more "public" goods and services such as the provision and maintenance of roads or police protection, i.e., security guards.

Foldvary illustrates his theory with a number of case studies. He examines several institutional arrangements that have successfully dealt with public goods and free-rider problems. These include Walt Disney World in Orlando, Florida; the community of Arden in Delaware, where buildings are privately owned but all land is owned by a private trust that charges rent and provides public services (founded in 1900 by followers of Henry George); the Ft. Ellsworth Condominium Association in Alexandria, Va.; and the massive "planned" contractual community of Reston, Virginia.

Foldvary's book also provides a valuable explanation of why private communities that collect fees for the privilege of living there aren't the same as governments. He gives some convincing reasons. First, such

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communities are based on an explicit contractual arrangement. All the standard laws of contract apply, including the right to sue because of breach of contract. Second, the powers of the neighborhood association are limited to those specified in the contractual arrangement. Third, the community association does not have the power to redistribute wealth, which is a standard use of tax revenues. Lastly, decision-making power within the contractual arrangement is typically held by property owners only. As Foldvary points out, under government democracies property owners typically "have no more voting power than other residents."

Fred Foldvary has made a valuable contribution to the economic literature on public goods and public finance. If it is fully appreciated by the economics profession it could revolutionize and dramatically improve the study of urban economics specifically and public economics in general. Unfortunately it is not in the interest of individual economists to buck the system as it currently exists. In this sense maybe Dr. Foldvary's book, itself, should be the subject of some public goods analysis. □

Dr. Cordato is Lundy Professor of Business Philosophy at Campbell University, Buies Creek, North Carolina.

Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics

by Jane Jacobs

New York: Vintage Books • 1993 • 236 pages • $12.00

Reviewed by Peter J. Boettke

Ever wonder what it would have been like to sit in on a conversation with Ludwig von Mises, Henry Hazlitt, and Leonard Read? Sitting in the backyard at FEE's compound in Irvington or around the library table, they must have engaged in the give-and-take of good conversation many a time. For perhaps an even more animated dialogue, imagine yourself in old Vienna, in one of the famous coffee houses. Mises is on one side of the table, and his old classmate and friend Otto Bauer, the famous Austro-Marxist, is on the other side. Mises counters Bauer's insistence that the forces of history are on the side of Marxism. Mises' challenge is straightforward—and devastating in its logic: the Marxist project of simultaneously abolishing private ownership in the means of production and rationalizing production is *impossible*. Without private ownership, economic planners will not be able to rationally calculate the best use of scarce capital resources.

Mises' challenge shook the foundation of the Marxist sense of destiny. Marxism was not the way to the future, but rather a path that would only lead to political and economic barbarism. Bauer, we are told in Mises's autobiographical essay, *Notes and Recollections*, never recovered from their conversations and their friendship eventually cooled.

There is something about good conversation concerned with fundamental issues that entices, frustrates, and teaches us so much. It is also something that eludes most of us in our daily lives. We have known the teaching power of dialogue ever since Socrates. If we cannot partake in the art of good conversation, then the opportunity to be a "fly on the wall" offers the next best alternative. In Jane Jacobs' *Systems of Survival*, she invites us into a dialogue among a group of New York intellectuals who all share some connection to the same New York publisher. Jacobs, as many of you know, is perhaps the last great public intellectual of this century. Fiercely independent, Jacobs blazed a trail in the analysis of cities. In *Systems of Survival*, she turns her skills to analyzing the moral "syndromes" (as she terms them) that govern our life. She does not disappoint.

Systems of Survival is well-written and well-argued. Moreover, it is amazingly radical in terms of its outright support for the moral *superiority* of the commercial syndrome throughout most of the book. Almost echoing Ayn Rand, Jacobs' character Kate (a young professor) states that we have at our disposal only two ways to acquire resources—we can either voluntarily trade or we forcefully take. It is that simple.

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Jacobs' conversation gets started when Armbruster (a retired book publisher) invites five others to join him in an exploration of the breakdown of honesty in society: Jasper (a successful novelist), Kate, Ben (an environmentalist), Quincy (a successful banker), and Hortense (Armbruster's niece and a successful lawyer). Kate takes the challenge to explore the moral foundations of social interaction to get the group started. She concludes from her study that there are two syndromes that are characterized by the following:

Moral Syndrome A	*Moral Syndrome B*
shun force	shun trading
voluntary agreement	exert prowess
be honest	be obedient and disciplined
collaborate	adhere to tradition
compete	respect hierarchy
respect contracts	be loyal
use initiative and enterprise	take vengeance
open to inventiveness and novelty	deceive for the sake of the task
be efficient	make rich use of leisure
promote comfort and convenience	be ostentatious
dissent for the sake of the task	dispense largesse
invest for productive purposes	be exclusive
be industrious	show fortitude
be thrifty	be fatalistic
be optimistic	treasure honor

Much of the remainder of the book is an extended argument amongst the group on the implications of Kate's "discovery." The book contains a very subtle argument concerning the tension between moral syndrome A (commercial) and moral syndrome B (guardian). The guardian syndrome is the source of much of the stagnation and oppression in the world. However, it is also essential in some areas. Without a proper guardian infrastructure, for example, the commercial moral syndrome could be threatened. Jacobs, though, realizes that commercial life has ways to "police" itself—the discipline of repeated dealings or the historical development of commercial contract law outside of official state channels (such as the law merchant). Jacobs is particularly sharp in her analysis of hybrids of the commercial and guardian syndromes—such as the mafia and the state socialist systems of the former Eastern Bloc.

Ben, the environmental activist and author, is often the "leftist" foil of the book. But Jacobs is too good a writer and storyteller to turn Ben into a wooden caricature. Her characters appear real. Kate preaches too much, but this doesn't distract from the power of her argument. This is human conversation with all its frailties and foibles—and its wonderment. Jacobs uses the vehicle of the dialogue masterfully.

One thing Jacobs is looking for in her search of moral systems is *cosmopolitanism*. Which syndrome encourages cosmopolitan tolerance of alternative life-styles, beliefs, races, etc.? Her connection of cosmopolitanism and commercial life reminds one of Mises' statements in *Liberalism* or Nock's in his wonderful essay "On Doing the Right Thing." This is something many on the conservative right in America simply don't understand. Tolerance does not mean acceptance, but it does mean openness to new ideas and cultures, a willingness to live and let live, and, as Jacobs listed in her syndromes, it values "dissent for the sake of the task." Commercial life flourishes within an environment that is characterized by liberal tolerance and cosmopolitan virtue, but not within an environment of provincial values bound by tradition. Provincialism can exist within cosmopolitanism, but whenever traditional values assert superiority over cosmopolitanism, innovation is stifled and commercial life stagnates. Liberalism is the only social philosophy that can constrain guardianship within its appropriate limits and unleash the productive and progressive force of commerce.

Jane Jacobs' *System of Survival* is a wonderful little book. Easy reading, yet profound in implications, this book should be on the reading list of anyone concerned with the moral foundations of society. *Freeman* readers especially will find much of value in this book. It is highly recommended to all. □

Dr. Boettke teaches economics at New York University.

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The press is filled with horror stories about higher education in America: college teachers and textbooks that attack Western civilization, administrators who enforce "politically correct" views, and college courses that have no intellectual or spiritual value.

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Former Congressman Ron Paul

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—Congressman Ron Paul
Former Member of Congress

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—DAVID FRUM, *Dead Right* (Basic Books, 1994)

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